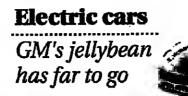
FINANCIAL TIMES



Europe's future Why Emu is the wrong priority

Edward Mortimer, Page 10





Kobe a year on Regaining its poise



Greek succession Who will follow Papandreou?

World Business Newspaper

US defeat for Ford over airbags may spark claims rush

Carmakers selling vehicles in the US could face one of their biggest safety challenges after the Supreme Court in Washington upheld a case against the Ford motor company. The court denied an appeal by Ford against a state ruling which would allow motorists to sue carmakers for failing to fit airbags The decision could open the way to a flood of litigation hy injured motorists against carmakers which have not installed airbags in their vehicles. "We're obviously disappointed by the decision," said Dean McGrath, an attorney with the American Automobile Manufacturers' Association. Page 12

Greek contest begins: The battle to succeed Andreas Papandreou as prime minister started with a number of contenders declaring their candidacy.

Berlusconi trial to start: The long-awaited trial for corruption of Silvin Berlusconi begins today in Milan amid accusations from the former Italian prime minister that the court action is a political rendetta. Page 2

Nuclear dialogue proposed: France, as part of its policy of moving closer to Nato's military structures, will today put to its fellow members of the alliance the idea of a political dialogue on the role of nuclear weapons. Page 3

Turkish earmaker to halt production: Turkey's second-largest carmaker is to hait production temporarily after a 50 per cent drop in sales, as growing political uncertainty begins to affect an economy already burdened by chronic inflation.

Cognac price increases prove unpalatable Remy Cointreau, the French drinks group, alumped to a first-half pre-tax loss of FFr38.9m (\$7.86m) after price rises drove away some of its customers, particularly among Chinese cognac drinkers. Page 13

German rivais seek TV decoder deal: The future shape of German digital television will be mapped out later this week when Kirch and Bertels mann, the country's two largest media groups, try to reach agreement on establishing a uniform decoding system. Page 2

SE-Banken fined: The Stockholm Stock Exchange imposed a SKr2m (\$300,000) fine on Skandinaviska Enskilda Banken, one of Sweden's leading commercial banks, for breaking bourse rules in its handling of information about heavy credit losses which caused an unexpected slump in its profits in 1995, Page 13

UK gas industry shake-up looms: Forthcoming competition in the UK gas supply industry threatens to spell disaster for British Gas, the country's oldest and largest supplier. Page 14



Indonesia's President Suharto has set up a foundation to manage compulsory donations from Indonesia's wealthiest companies in a muve reducing poverty. Under a directive issued by the president, companies vith an annual after-tax income of more than Ro100m (\$43,000) are

obliged to donate 2 per cent of their earnings to the foundation. Foreign companies operating in Indonesia, although not covered by the decree, have also been asked to donate. Page 12

Move to raise banking confidence: The Czech Republic's central bank moved to restore confidence in the country's banking sector by appointing an administrator to Ekoagrobanka, a small privately owned regional bank. Page 12

BMW fights car crime in S Africa: BMW, the German luxury car manufacturer, has taken the extreme step of trying to protect its market share in South Africa by including anti-theft and hijacking insurance in the price of new models. Page 4

Drug trafficker's arrest hailed: Mexico and the US celebrated the arrest of Juan Garcia Ahrego, one of the world's most wanted drug traffickers. though his capture and deportation to the US are likely to spark a fresh war between Mexico's rival

US death sentence woman reprieved: The governor of the US state of Illinois commuted a death sentence on Guinevere Garcia, for the killing, in 1992, of her husband, to life in prison, stopping what would have been only the second execution of a woman since capital punishment returned to the

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WEDNESDAY JANUARY 17 1996

Top Indian politicians accused of accepting bribes Foreign currency dealing probe leads to arrest of Surendra Jain

Shiraz Sidhva in New Delhi

Indian investigators yesterday charged seven leading politicians and sought permission to prose-cute three cabinet ministers for allegedly receiving bribes from a steel industrialist.

The charges arise from an investigation into alleged illegal foreign currency dealing, known as hawola, which led to the arrest of Mr Surendra Jain, the New-Delhi-based industrialist. The charges prompted an oppo-sition party leader to resign his parliamentary seat and threw the government into turmoil, with a general election just over three months away.

The Central Burean of Investigation said inquiries were con-tinuing into the hribery allegations, which will be a serious setback for the election prospects of the Congress party of Mr P.V. Narasimha Rao, prime minister. But the inclusion among the accused of Mr L.K. Advani, leader of the opposition Bharat-

iya Janata party, could equally torpedo the BJP's anti-corruption crusade against Congress. BJP officials said Mr Advani last night resigned his seat following the charges, although he protested his innocence and claimed the charges were "politi-

cally motivated". The bureau said "other politicians are under investigation" and further charges of "receiving illegal gratification" under India's prevention of corruption

act might follow. The probe uncovered a coded notehook at Mr Jain'a home

detailing a series of payments totalling Rs600m (\$17m) made between 1988 and 1992, with ini-tials of the apparent recipients. The charges lend weight to longstanding media speculation that the initials were those of top politicians. A total of 18 senior hureaucrats have already been

tigation, which has acceler-

ated following a directive from India's supreme court a year ago.

Prosecution of the charges will roceed through a special Delhibased anti-corruption court. The accused face possible sentences of up to five years in jail.

The three ministers cited by police are Mr Madhao Rao Scindia, minister for human resource development, Mr Balram Jhakar, agriculture minister, and Mr Vidya Chara Sukhla, minister for water resources. The burean of seeking the consent of President Shankar Dayal Sharma to remova the trio's ministerial immunity from prosecution.

Tha others charged were Mr Arjun Singh, a former Congress minister who formed a breakaway Congress faction last year, Mr Devi Lal, fnrmer deputy prime minister, Mr Yashwant Sinha, ex-finance minister, Mr Kalpanath Rai, another former Congress minister, Mr Arif Mohammed Khan, Mr Lal's grandson, and Mr Pradeep Singh, a one-time side to Mr Lal.

Chubais dismissal blow for Russian economy Fighting with Chechens escalates

Yeltsin sacks leading reformer

By Chrystia Freeland and John Thombill in Moscow

Russia's fragile market economy suffered a serious blow yesterday when President Boris Yeltsin sacked Mr Anatoly Chubais, the deputy prime minister and leading economic reformer who mas-terminded the country's masa privatisation programme Mr Chubais' departure, follow-

ing a series of hardline govern-ment appointments and a tough response to the hostage crisis in southern Russia, is the strongest sign yet that Mr Yeltsin is adopting the policies of communist and nationalist opponents who dominated December's parliamentary elections.

Mr Alexander Llvshits, the

president's chief economic aide. said the sacking signalled a change in economic priorities. This year, he said, the govern-ment would ensure wages were paid nn time and place more emphasia on managing the state's assets instead of selling them off.

The political turmoil came as gunmen who identified them-selves as Chechen rebels seized a Russia-bound boat carrying 165 people at a Turkish port and threatened to kill Russians aboard.

Meanwhile, fighting escalated yesterday between Chechen separatists and Russian troops in the murth Caucasus. After a second day of intense attacks, Russian and for poor management. forces had still failed last night to last week and were besieged in the village of Pervomaiskoye. The Kremlin's difficulties in Chechnya were further com-



Two hostages pass through a group of Russian soldiers in the village of Sovetskoye after being freed from their Chechen captors

pounded when another group of Chechen fighters were reported to have captured 30 hostages in Grozny, the Chechen capital.

In Moscow, the fiercely worded

presidential decree which removed Mr Chnbais from his post attacked him for his failure to implement presidential orders

"We cannot eternally conduct overcome Chechen gunmen who-seized more than 100 hostages tion," said Mr Livshits, referring to the austere hudgetary and monetary policies pursued by the government last year. "It must come to an end and then the poli-

cies of economic growth must boost his popularity ahead of the begin."

Political observers compared Mr Yeltsin's seeming policy shift to the last days of President Mikhail Gorbachev who sacrificed liberal supporters in a desperate attempt to cling to power. Mr Yeltsin last week ditched his lib-eral foreign minister and chief of staff, replacing them with two Soviet-era hardliners.

Mr Chubais' departure suggests that the president, already under fire for the continuing conflict in Chechnya, also appears prepared to loosen monetary policy to

presidential elections scheduled for June. Mr Gennady Zyuganov, leader of the Communist party, welcomed the decision to remove Mr Chubais and said it showed that Mr Yeltsin planned to seek

"Of course with such an albatross you cannot go into the elections. He [Mr Yeltsin] is ridding himself of the entire team which together with him brought the country to total bankruptcy and humiliation," he said.

A visibly shaken Mr Chubais said his departure did not mean the end of economic reform, but he warned that the government should not abandon reform just as it was beginning to bear fruit. "It would be an enormous mistake to change economic policy five months ahead of the elections," he said.

However, the symbolism of Mr Chubais' departure is likely to worry foreign investors and governments who viewed him as a guarantor of sound economic policies. Mr Chubais was described as a "demigod" by one senior western official for his privatisa-

Sony seeks to boost position in multimedia markets

By Michiyo Nakamoto in Tokyo and Paul Taylor in London

Sony is seeking to strengthen its position in emerging multimedia markets through a wide-ranging

corporate reorganisation.

The Japanese consumer electronics and entertainment company is to set up two new divisions, one of which will focus on personal computers.

It will also split its audiovisual products division into three new units, merge two existing business units into a single personal and mobile communications divi-sion, and establish a new infor-mation technology unit.

The new IT unit will be responsible for Sony'a personal computer businesses including the Quarter L. an industrial-use com-puter sold in Japan, and the PCs which Sony is developing with Intel, the US semi-conductor company. Last year Sony and Intel launched a joint venture to develop new types of PCs

for the consumer market. The reorganisation, effective from April, reflects Sony's concentration on business areas which have not traditionally been core operations hut which are expected to become increasingly important with the advent of multimedia.

It also reflects the success of a corporate system based on semi-autonomous units which

> Continued on Page 12 Dell shares fall, Page 18

Kohl keeps weighty secret as he serves up cookbook

By Michael Lindemann in Bonn

When Chancellor Helmnt Kohl launched a cookbook yesterday with some of his favourite German recipes, he was willing to talk about ingredients, but not about his weight. "That," he said "is a state secret."

Together with his wife, Hannelore, Mr Kohl has published a collection of 350 specialities, in the hope of changing the stodgy reputation of Germans and their food. "Now people will know that we like to eat and drink. something wa are, unfortunately, not reputed for."

Some of the recipes are a long way from lean cuisine, but Mr Kohl was confident that the details of pork roll in milk, leg of lamb cooked in hay, carp in hlack beer, and Panhas, which contains fatty bacon and hlack pudding, will provide evidence "serious, hardworking, reliable and punctual"

Mr Knhl admitted he was not partial to all the recipes. The col-lection was put together with the help of the ominous sounding Central Marketing Company of the German Agricultural EconPanhas Ingredients (for 4 people) 100g fatty becon 1.5 litres meat stock 350g liver sausage 350g black pudding 500g buckwheat flour 50g larded butter cook the becon cubes in a pan and sweet the onlors. 2. Pour on the stock. Remove the skin from the svor sausage and black pudding and add to the mixture. Box briefly. Add salt, pepper, half-teespoon of clove powder and 1 tablespoon of marjoram to flavour.

3. Stir in the buckwheat flour. Gook for about 10 minutes. Reduce heat and let it simmer for 30 minutes.

larly serves his closest friends. Mr John Major became the most recent statesman to be accorded the honour when the British prime minister was invited to

brated, and there are handy tips on how to prevent a Munich white sausage splitting in hot water. Then there are important sausage statistics provided by

4. Pour modure into a bowl, smooth it out and let it cool.

Once set, turn upside down on to a plate and cut into sices. Fry the Panhas on both sides in larded butter.

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Portugal's PSD

leader resigns

urgent party congress to elect a new leadership.

Mr Fernando Nogueira, the leader of Portugal's opposition

Social Democrats (PSD), resigned yesterday and called for an

His resignation immerses the centre-right party in a crisis after two decisive election defeats in less than four months

Mr Nogueira had said he wanted to quit immediately after the PSD was defeated by the Socialists in a general election

last October. He stayed on to support Mr Anibal Cavaco Silva,

the PSD's losing candidate in Sunday's presidential election,

he said. Mr Cavaco Silva, who led the party for 10 years as

prime minister, was succeeded by Mr Nogueira nearly a year

ago when he stepped down to run for the presidency. Leading contenders for the PSD leadership are expected to

minister, and Mr Joaquim Ferreira Amaral, a former public

works minister. The leadership struggle will temporarily abate opposition to the Socialist government which is four seats

short of an overall majority. It will benefit the small right wing Popular party as It begins to challenge the PSD for

include Mr José Manuel Durao Barroso, a former foreign

ended the PSD's 16 years in power. "The party needs to undertake a thorough re-adaptation to the new political

EUROPEAN NEWS DIGEST

situation," he said.

eadership of the right.

By Emma Tucker in Strasbourg

Members of the European Parliament will today attempt to clean up their image with a series of votes intended to restrict the influence of lobbyists at the assembly and establish a full and frank register of MEPs' financial interests.

Two reports debated in the chamber last night seek to introduce greater openness and accountability into the activities of Europe's 626 representatives. Until now, MEPs have been under virtually no obligation to reveal fees and gifts received in the course of their parliamentary duties.

The first report, presented by Mr Glyn Ford, the British Socialist MEP, would regulate the activities of lobbyists, who currently enjoy unhindered access to the parliament's corridors in Brussels and Stras-

Mr Ford believes that anyone who wants to spend more than a week inside the parliament should have to sign a register and disclose any cash or gifts offered to MEPs, assistants and officials that amount to more than Ecu1,000 (\$1,300) per year per person.

There would be no restrictions to the list and no distinction between "good" lobbyists (such as charities and non-governmental organisations) and others. Anyone who registers would be given a pass, renewable each year.

"There is nothing illegal about lobbying, it is something which we welcome," said Mr Ford. "We just want to know when lobbying turns into a 'special relationship'.

He has in mind examples such as the recent visit to Indonesia by seven MEPs and their spouses. "If colleague X wants to tell us how wonderful Indonesia is, we will in future know if he or she has just enjoyed an all expenses paid trip by the Indonesian government," said Mr Ford.

Certain tobbyists have lobbreport, but most have wearily accepted it.

"The groups I have spoken to are not wildly enthusiastic, but say it is not a major problem," said Mr Ford. "Some even welcome it, as they think it will keep out the cowboys."

While the Ford report stands a good chance of winning the support of MEPs, a second proposing a register of members' financial interests faces a much rockier reception. German Christian Democrats

were threatening to vote

against it last night, arguing that it went too far in exposing the financial interests of MEPs. This report, put forward by Mr Jean Thomas Nordmann the French liberal MEP, would require every parliamentarian to submit a personal declaration to the parliament at the beginning of their mandate mentioning all professional or other activities for which they receive substantial payments. They would also bave to list any gifts or advantages bestowed on them, plus their

The Christian Democrats are not alone in believing that a full declaration of all interests

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is unnecessarily intrusive. The Socialist group favours a less stringent declaration, arguing that it is interested in the change to people's finan cial standing as a result of becoming an MEP, rather than what they possess when they take up their mandate.

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Sales fall 50% as economy suffers from political uncertainties

Renault to halt Turkish output

By John Barham in Ankara

Turkey's second-largest car manufacturer is to halt production temporarily because of a 50 per cent drop in sales, as growing political uncertainty begins to affect an economy already burdened by chronic inflation Renault-Oyak, a joint ven-

ture between the French motor group and the Turkish armed forces pension fund, said that it would stop output for the last five working days of this month and lay off 2,400 work-A company official added

that it hoped the halt would allow time to sell mounting stocks of unsold cars.

"Renault is making over 300 cars a day but has only sold 600 so far this year," he said. "We will resume operating once there is a recovery in sales." In the same period last year, Renault sold more than 1,200 cars. Consumer demand bas

dropped steeply in Turkey, mainly because interest rates have shot up to 8-10 per cent a month in real terms since last month's inconclusive general election, when the radical Islamic Refah party won the largest number of seats in parliament. Confusing political signals from Ankara, the capital, have generated uncertainty for businesses and the financial markets.

Mr Necmettin Erbakan, the leader of Refah - which won 158 seats in the 550-member parliament - yesterday com-pleted the first round of consultations with other party leaders to try to form a coalition government. He failed. bowever, to win support from any of the four secular parties in parliament.

business people suspect he will finally entice the conservative Motherland party into a coalition. This might further weaken industry'a morale, already shaken by the election results and the assassination last week by left-wing terror-ists of Mr Ozdemir Sahand, a prominent businessman.

A significant minority of

One equity analyst yesterday predicted that low demand would continue until a new government was in place. She said the business outlook for the Year was for little improvement over 1995. Most companies expect infla-

tion of 75-100 per cent this year, against 79 per cent in 1995 and that growth will halve from 7.1 per cent last year. Uncertainty about the outcome of political negotiations has forced up the interest rates the government must pay on

debt, and has shortened maturities to 105 days. Mr Albert Nekimken, direc-tor of research at Istanbul's

its rising mountain of domestic

Demirbank, said: "Obviously

question is when you should start pressing alarm bells. It is still a bit early to say Turkey is entering recession. We will

anbul'a stock market have performed strongly this year, with prices rising by 17 per cent. thanks to buying by hargain hunters. But few economists and business executives are

need a whole slew of negative figures first." Paradoxically, shares on Ist-

Yesterday alone, share prices rose nearly 4 per cent optimistic that the incoming government will be strong enough to force through the structural public sector reforms needed to stabilise the

Uneasy Weizman says thanks



Mr Ezer Weizman (bottom. left), the Israeli president, yesterday thanked Germany in the presence of Chancellor Helmut Kohl for what he called its "friendship and co-operation" over the last 50 years, but said his visit, only the second by an Israeli head of state, "was not an easy one". As only the third speaker ever to address a joint session of the German parliament, Mr Weizman said that "as president of the state of Israel I can mourn (the memory of the Jews killed! but I cannot forgive on their behalf." Mr Weizman caused a stir earlier during his four-day visit by telling Jews in Germany that he could not

Peter Wise, Lisbon

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understand why they were still living there following the extermination of about 8m Jews during the second world war. Mr Weizman's remarks were criticised by Mr Ignatz Bubis, leader of Germany's Jews who has repeatedly argued that Jewisb culture must be allowed to flourish again in Germany if relations between the two countries are ever to be normalised. Blichael Lindemann. Bonn

German employers' chief to quit

The German Employers' Federation (BDA) yesterday confirmed reports that Mr Klaus Murmann, its bluntly-spoken president for almost 10 years, is to leave in December. He is to be replaced by Mr Dieter Hundt, currently a regional president of Gesamtmetall, the engineering employers' federation. News of the change comes only a few weeks after a similar upheaval at Gesamtmetall, where Mr Joachim Gottschol is to

step down as president this summer. The two departing men have frequently been described as hardliners, at least in comparison to their predecessors. Both are to be replaced with people who have extensive experience as negotiators. The change in leadership in two of the most influential

lobbying groups in Bonn comes at a time when the government is lining up with the trade unions to put pressure on employers to hire more workers. Mr Murmann is among a minority who openly criticised the "alliance for jobs" initiative by IG Metall, the engineering union, which proposed wage restraint in exchange for more jobs. Mr Murmann is expected to be elected president of Unice, the European Employers' Wolfgang Munchau, Frankfurt

Brussels targets fibres sector

The European Commission has decided to toughen controls on the amount of state aid that can be paid to certain sectors of the synthetic fibres industry. New measures coming into force April 1 when the old regime on state aid expires will require member states to notify the payment of any aid to a synthetic fibres producer, regardless of whether it is covered by a previously authorised scheme.

Under the uld code, investment aid was only allowed to be paid if its aim was to significantly reduce production. Aid not intended for this purpose was outlawed, even if the market concerned was suffering a structural shortage of supply.

Under the new code, the state of the market will become a

vital consideration in assessing the payment of state aid. The new code will also limit the amount of aid that can be paid. Big companies, for example, will face much stricter limits. Although the new code has a three-year term, it is likely to be superseded before then by a new Commission framework on state aid to all industries. Emma Tucker, Strasbourg

Bonn plan for more Eurofighters

Mr Volker Rübe, Germany's defence minister, will today go before the parliamentary defence committee and argue the case for an unspecified number of extra Eurofighter aircraft to support Germany's efforts to secure 30 per cent of the work on the £32bn defence project. Europe'a biggest.

Press reports, which were not confirmed by the Defence Ministry, suggested Mr Rühe would ask the committee to approve the purchase of 40 extra Eurolighters, each costing about DM100m, after 2012. If Mr Rühe can persuade the defence committee to approve the extra aircraft he must still push the measure through the budget committee later this year, an exercise which is expected to be difficult at a time of shrinking defence expenditure.

Michael Lindemann Born

Mitterrand was 'unfit' in 1994

François Mitterrand's personal physician sparked a political furore yesterday by saying the late French president was unfit to govern from November 1994 because of cancer. Mitterrand's family yesterday filed a lawsuit against Dr

Claude Gubler for violating medical secrecy in his memoirs, which are published today. Dr Gubler, in his book Le Grand Secret (The Big Secret), said the Socialist president was diagnosed with cancer a few months after he was elected in 1981. In the intervening period, the doctor said he knowingly published dishonest medical reports every six months at the president's request.

Dr Gubler wrote that, in his opinion, Mitterrand had been unfit to remain in office from November 1994 because he was so ill that he had to spend most mornings lying down and resting at the Elysée palace. The book has drawn condemnations from prime minister Alain Juppe, Mitterrand's former chief-of-staff Hubert Vedrine, and the French medical

France requisitions more flats

The French government yesterday announced plans to requisition 700 vacant flats from some of the country's largest financial institutions in an accelerated effort to house homeless and poorly-lodged people in the Paris region.

The institutions will receive FFr25 (£3.27) per square metre, regardless of location, for periods of between three and five years, a fraction of the market rent, though the state will undertake renovation to make the property habitable. Mr Plerre-André Perissol, minister for housing, also announced plans for a new law to allow such action to be carried ont more easily and systematically. Some 500 apartments were requisitioned last August. Andrew Jack, Paris

Contenders enter race to succeed Papandreou

By Kerin Hope in Athens

Mr Costas Simitis, Greece's former industry minister, yesterday opened the contest to succeed Mr Andreas Papan dreou as prime minister by officially declaring his candidacy. He was immediately followed by Mr Gerasimos Arsenis, the defence minister, the other frontrunner.

The governing Panhellenic Socialist Movement's 169 deputies are expected to elect a new premier tomorrow, to be confirmed in office next week by a vote of confidence in parliament

Mr Simitis represents Pasok's pro-European wing, which is committed to participation in European economic and monetary union, while Mr Arsenis is backed by a populist faction that favours more generous wage and pension poli-

Two other candidates also announced they were running: Mr Apostolos Kaklamanis, the speaker of parliament, and Mr Yannis Haralambopoulos, a former foreign minister and close friend of Mr Papandreou. Mr Akis Tsochatzopoulos, the

acting prime minister, was expected to join the race today. Mr Papandreon stepped down on Monday, asking Pasok to start procedures for electing a new prime minister immediately. In a letter from bospital he said be was too weak to resume his duties. Still in serious condition after two months in hospital, Mr Papan-

dreou will remain chairman of

the party he founded in 1974,

but is not expected to return to The Athens stock exchange jumped by more than 2 per cent in early trading yesterday and closed 1.72 per cent up. The volume of shares traded was close to record levels, amounting to more than

Dr14bn (\$59m). Brokers said the market was poised to move steadily upwards after several weeks of uncertainty.

Mr Simitis, who tried to make Mr Papandreon resolve the succession issue a few weeks before he was rushed to hospital with pneumonia, has the largest personal following among Socialist deputies but falls well short of an outright

business because of his moderate views and record of implementing a European Unionbacked stabilisation programme in the 1980s. According to opinion polls,

He is popular with Greek

he has the best chance of winning floating voters back to Pasok before the next election, due in 1997.

Mr Arsenis, a former United Nations economist, is trying to overcome a negative image left over from the early 1980s when he served simultaneously as economy minister and central bank governor.

He introduced far-reaching financial reforms, but his record also includes devaluing the drachma for the first time in over 30 years, approving forced nationalisations of Greak industrial companies, and maintaining index-linked wage and pension increases in the face of a soaring public def-

Noue of the other candidates is expected to win more than a handful of votes. But their support will be crucial in deciding the outcome of a run-off vote between Mr Simitis and Mr

Mr Albert Scharf, head of

German rivals seek deal on TV decoder

By Judy Dempsey in Berlin

The future shape of German digital television will be mapped out later this week when Kirch and Bertelsmann. the country's two largest media groups, try to reach agreement on establishing a

uniform decoding system. A uniform system could pave the way for the launch later this year of pay-per-view digital television, potentially providing German bouseholds with access to a wide variety of public and private sector programming via satellite. Kirch and Bertelsmann have

developed two different decoding systems which offer different facilities. Both sides agree that a single system is desir-

Mr Andreas Papandreou, after a long period in intensiva care,

has ended a leadership crisis in Greece by stepping down as

The Bertelsman camp argues that its system provides wider access to and more accountability in control of the decoder system, as a large number of companies are involved. By contrast, the Kirch system is under the control of the group itself. Rivals claim that the Kirch system would be open to monopoly domination, an alle-

gation Kirch hotely denies.

ARD, the publicly-financed

broadcasting authority for Germany's 11 regional television networks, is pressing for the Bertelsmann system to become the national standard.

Last summer, it joined a con-sortium headed by Bertels-mann, Canal Plus, the French commercial television group, and Dentsche Telekom, Germany's state telecommunications network, to develop a decoding system for digital television. The consortium also tocludes ZDF. Germany's second state television channel. RTL, the commercial television network, while Austrian and Swiss television are consider-

ARD, RTL and Bertelsmann have repeatedly argued that access to the Kirch decoding system would be restricted and competition and choice would be reduced or biased towards Kirch's television interests. These include its stake in Sat-1, the television commercial television, and Premiere, Germany's only pay-television channel

ing signing up later this year.

"This is not true. We will offer a wide variety of programmes. Ours would be an open system," Mr Gottfried Zmeck, a Kirch manager, said

ARD, insists that control of the decoder system should not be capable of being used to restrict consumer choice. "You have to be certain that your programmes will be offered in the decoder to provide as much choice as possible," he said. "We wanted to have an allopen system where everybody interested, private or public broadcasters, would be sure his or her programming would be on offer and there would be unrestricted access. That is why we joined np with the Bertelsmann group as share-holders. We all have a say."

Survey finds Angst moves closer to home their western neighbours. This was particularly true of crime and unem-

Think of a German word and you probably think of Angst.
The standard dictionary definition of Angst as fear does the word little credit. It is because of its sense of visceral anguish that Angst has become one of the few German words to be in

common English usage. But what makes Germans feel Angst? On the strength of 2,000 interviews, the Süddentsche Zeitnng newspaper reported yesterday that crime now topped the list, followed by unemployment with inflation an old German bugbear, close to the bottom of 22 spe-

cific worries at place 17. In 1990, the Munich-based Suddentsche commissioned a survey of what Germans expected their country to be like at the end of the millenium.

Late last year it repeated the exercise and discovered the fears of the average German had moved closer to bome. Five years ago, fear about destruc-tion of the global environment topped the list of the nation's worries when it looked ahead to the year 2000. With a

mini-recession and a jobless economic

recovery in between, the environmental issoe has slipped to third place behind crime and unemployment. "The extreme right" came fourth on

the list, followed by war, violence, drugs and terrorism. Fear of "too many foreigners" came ninth, followed by "civil nuclear power catastrophe". As a consolation for those who worry that the German economy may be losing its dynamism, "capitalism" was last of the 22 fears listed by the newspaper.
In general, the citizens of the the

former Communist eastern Germany worried more about the future than

ployment

Affluent Switzerland topped the list of countries seen as a model for Germany, with particularly strong backing in western Germany. Sweden, with its reputation as a "social state", won twice as much support in eastern Germany as in the west. The newspaper reported that the UK came bottom of the list of model countries, with only high-earners and 14- to 19-year-olds declaring any special fondness for

Berlusconi goes on trial for corruption

By Robert Graham in Rome and John Simkins in Milan

The long-awalted trial for corruption of Mr Silvio Berlusconi begins today in Milan amid accusations from the former Italian prime minister that the court action is e political

The charges relate to bribes totalling L380m (\$241,000) paid to members of the Guardia di Finanza, the financial police, to secure favourable inspections of the books of companies in his Fininvest business empire. Ten other people are in court with bim, including his younger brother Paolo, four Fininvest executives and five

Guardia di Finanza members. The prosecution is expected to back up its case by exposing Fininvest's alleged use of parallel accounts and undisclosed funds in Swiss and offshore subsidiaries that will affect other cases against the former premier. Mr Berlusconi is being investigated by magistrates over three other allega-

tions of corruption as well as for the alleged blackmail of Mr Antonio Di Pietro, the magistrate largely responsible for

today's charges. In an hour-long press confer-ence in Milan last night Mr Berlusconi, who is not expected to appear in court today. insisted he was innocent and launched a strong attack on the Milan magistrates, and Mr Di Pietro in particular, for "using their judicial powers in an attempt to obtain the resignation of the government under my leadership".

He said investigations into Mr Di Pietro by Brescia magistrates had shown that the magistrate bad "set out to strike at the government so as to satisfy a political ambition".

The outcome of this case will determine Mr Berlusconi's twoyear-old career as a politician and affect the future of Fininvest, whose politically sensi-tive television interests are due to be floated later this year. The trial is also likely to have an impact on current efforts to

THE CHARGES HE FACES ■ Corruption for the payment of L100m (£40,000) for the tax

inspection of Videotime (film/video subsidiary) in 1989 L130m for inspection of Mondadorio (publishing) in 1991
L130m for inspection of Mediolanum (life insurance) in 1992 # L50m for inspection of the ownership structure of Telepin

form a new government and the timing of general elections. Mr Berlusconi first learned he was under investigation on the present charges on November 22, 1994, when as premier be was hosting in Naples an international conference on

(cable television) in 1993-94

He has consistently denied knowing anything about the bribes. His brother Paolo and Mr Salvatore Sciascia, head of Fininvest's tax department. have admitted making the payments but claim they were blackmailed into making

The core of the prosecution's

owner and chief executive not to know about such payments designed to limit the group's tax bill. It emerged in a trial last year of some of the same Guardia di Finanza officials in court today that the payment of bribes to ensure "soft" tax inspections was a widespread practice among businessman. This latter trial also rejected the businessmen'a contention that they were blackmailed

into making the bribes. Italy's corruption scandals first broke. This concerned the cable television company Telecase is that in a private group piu, which the Guardia di Fin-such as Mr Bertusconi's it anza were checking in late 1993 would be hard for him as and early 1994 on suspicion

of retaining control through friendly shareholders in breach of the 1990 law regulating television ownership. If proven, this could lead to his losing some or all of his three The prosecution claims Mr Berlusconi, while prime minister, met Mr Massimo Derruti, a Fininvest lawyer, in June 199 to discuss a pay-off to the

Guardia di Finanza in respect

that Mr Berlusconi had not

properly divested his control-

ling stake. They suspected him

of the Telepiu investigation. Key documents long sought from the Swiss anthorities regarding Fininvast's operations in Switzerland were handed over to the prosecution just before Christmas. Mr Berlusconi's lawyers fought bard The most recent Fininvest to block access to them. It has bribe was paid two years after already emerged that offshore to block access to them. It has companies linked to Fininvest made transfers of L15bn to people closely connected to former Socialist premier Bettino Craxi, the political godfather to

with the seem lar belgaga. $w_{11}\}_{1,\dots,n+1,\dots,n}$ opposited Cals but $pr_{\rm effects matrix}$ each Leaven $\Pi_{\sigma^{\prime}}(\deg_{\sigma^{\prime}})$ the tar a deci Venerald Mar $\log_{\mathrm{Berod}(-r_{\mathrm{B}})}$ Spectrong of a $u_{110,1,\dots,n},\dots$ We healer or the regard $\sup_{t \in \mathcal{T}_{A}(t) \in \mathcal{T}_{A}(t)} |_{t}$ $(m_{\rm eff})_{\rm Hope,q}$

served Literal $r_{\rm HIrops} |_{H_{\rm BH}/\Omega}$ By Bernard Sur Robert Cubbuny

Queber sebar: independence pillars of Man munity from proving Bank of Mon and third bigg move its bead

France suggests Nato dialogue on nuclear arms

By Bruce Clark, Diplomatic

France, as part of its policy of moving closer to Nato's military structures, will today put to its fellow members of the alliance the idea of a political dialogue on the role of nuclear weapons.

The proposal, which will be raised in Brussels at the weekly meeting of ambassadors from Nato's 16 members, does not imply any watering down of France's

ideas on nuclear arms in a Nato forum amounts to a fresh, symbolic step towards reintegration with the alliance from whose military wing France walked out in

Diplomats said the dialogue was seen by Paris as a follow-up to its controversial suggestion last year that e French nuclear umbrella" be extended to other parts of Europe.

Nato thinking still envisages a role for US and British nuclear weapons, even

response" - the early use of nuclear arms in response to a conventional Warsaw pact attack - has lost its immediate rele-

vance. France will also reaffirm today its month-old declaration that it wants to participate fully in most meetings of Nato defence ministers. However, it will still stay out of the two institutions - the nuclear planning and defence planning committees - under whose wing most of Nato's recent ministerial meetings have

though the cold war doctrine of "flexibla taken place. Diplomats said France saw no reason why all 16 defence ministers could not meet under some other seeds. If necessary, one part of such meetings could be set aside for matters directly under the remit of the two committees such as the internal workings of Nato's military structure - and the French min-

ister could temporarily withdraw. France will also confirm its intention of upgrading the status of its representative on Nato's military committee, which groups senior officers from all 16 states.

and of broadening the range of topics on which he speaks. On all discussions relating to Nato's future - ranging from enlargement to the new models of US-Enropean co-operation - France was keen to participate fully. The latest French prononncements will serve to keep the ball rolling in discussions over European secu-rity, without forcing Paris to climb down from the fundamental tenets of its defence doctrine, observers said

If there is one area where France has made a real concession, it is in the quiet Western European Union, a 10-nation defence club, into a rival of Neto.

The WEU is supposed to be developing both as the defence arm of the European Union, and the European piliar of Nato. France, which initially stressed the former aim, has now accepted that the latter project - in other words, developing European defences in conjunction with North America - is the more realistic one for the immediate future.

UN plans to return over 2m **Bosnians** to homes

By Frances Williams in Geneva

Mrs Sadako Ogata, the United Nations High Commissioner for Refugees, yesterday ont-lined an ambitious repatriation programme for Bosnia aimed at returning and resettling more than 2m people forced from their homes during the four-year conflict.

Presenting the plans to a meeting of 60 governments and humanitarian agencies, Mrs Ogata said she hoped some 870,000 people might return this year, starting in the spring. She urged European governments to continue temporary protection for an estimated 700,000 Bosnian refugees until it was clearly safe for them to return. About half of these are in Germany.

"Let us make sure that the promise of peace signed in Paris is becoming a reality on the ground before we take a step that will affect the lives of hundreds of thousands of people, who have already endured enormous hardship in the

past," Mrs Ogata said. The UNHCR, which led the humanitarian assistance effort throughout the war, was given responsibility for the repatriation programme under the Dayton peace accords signed in

Mrs Ogata said the UNHCR had reached agreement in prin-



UN High Commissioner for Refugees Sadako Ogsta (left) with Europe's Balkans negotiator Carl Bildt in Geneva yesterday

ciple on the plan with both the Moslem-Croat federation and the Bosnian Serb anthorities. The "phased and orderly voluntary return programme" will give priority to the estimated 1m displaced people inside Bos-

nia followed by the 670,000 living in the other former Yugoslav republics. The plan envisages the return or resettlement in Bosnia this year of about half the displaced people inside the country, 170,000 from elsewhere in the region and 200,000 from other Euro-While returnees had the

right to reclaim their homes,

Mrs Ogata acknowledged that many would choose to resettle in areas where they formed

part of the majority group. The UNHCR will appeal next month for funding. Estimates indicate that it will need \$300m-\$400m to finance its programmes throughout former Yugoslavia in 1996. This will include the cost of providing food and humanitarian aid to some 2.8m people in Bosnia. The UNHCR is also asking

governments in asylum countries to cover the transport costs of returning refugees and provide them with a cash reset-

tlement grant.

A tiny state considers the value of Belgrade's sham federation, writes Laura Silber ontenegro, a tiny ond successive year as the

mountainous statelet wedged between opposition again boycotted parliament Albania, Serbia, Croatia and Bosnia, paid a steep price for remaining a junior partner of Serbia during four years of s war it had little power to

But now, with the Dayton peace accords coming toto effect and the UN sanctions it suffered along with Sarbia lifted, its 617,000 people are thinking hard about their future and the value of remaining in a sham federation with a Serbia of 9m people which treats it like a small tail on a

large dog.

Many Montenegrins are in a hurry to rejoin the international community and rising economic privation has emboldened calls for independence. Mr Milo Djukanovic, the prime minister, in a recent interview spoke of a "growing consciousness that the republic can huild economic independence, not relying on Serbia".

But economists say It will take five years to regain the 1992 level of production. Even before the war Montenegro was one of the poorest Yugoslav republics. Since then the average monthly wage has dropped to the equivalent of \$138.

Montenegrins have a lot in common with Serbs, but the political climate is very different. Last month MPs from Montenegro's ruling Democratic party of Socialists and the opposition furlously debated next year's hudget in Podgorica, the capital. In Belgrade the hudget was adopted without real debate for the sec-

Under President Momir Bulatovic, Montenegro is also pushing economic reforms. Many state enterprises have been privatised. In Serbia, where the old language of socialism is replacing the language of

Montenegro's epic poet provides the slogan for the state's struggle against the impossible throughout its history: 'Let it be what cannot'

nationalism, the process has come to a halt or even, in some cases, been reversed. An atmosphere of relative

tolerance seems to prevail in Montenegro. There is a commitment, at least on paper, to secure minority rights in a country which is 61 per cent Montenegrin (a nationality created by the Communist regime), 14.5 per cent Moslem (another artificially created "nationality"), 9 per cent Serb and 6 per cent ethnic Albanian, according to the 1991 census. Refugees from neighbouring Bosnia and Croatia have increased the population by 10

statistics, emphasising the

Montenegrins question Serbia ties

rights issue For the time being, Montene gro enjoys only as much autonomy as Belgrade allows. At the first peace conference in The Hague in 1991, Mr Bulatovic tried to assert his independence by voting against Serbia in favour of forming six separate states on the ruins of

It took just a few days for Belgrade to force Montenegro to withdraw its vote after allegations that Italy had tried to here Mr Bulatovic away with promises of generous aid.

That conference took place at the height of the onslaught on Dubrovnik, Croatia's Adriatic resort, when volunteers from Montenegro gained infamy by loading televisions and other booty into cars stolen from Croatian villages just over the frontier.

For centuries, Montenegrins boasted of their warrior past, proud of defending their moun-tain kingdom after Serbia fell to the Ottoman Turks.

They still quote their epic poet, Bishop Petar Petrovic Njegos, whose words 'let it be what cannot", has become a catchword for their perceived struggle against the impossi-

Under the Treaty of Versailles, Montenegro joined the Yugoslav kingdom of Serbs. Croats and Slovenes created in

Montenegrins and Serhs share ethnic and religious roots and the mountain state remained with Serbia in Yugoslavia's two later incarnations.



the communist federation of six republics founded by Tito after the second world war, and the current state, reconstitoted in 1992.

Now even the Montenegrin leadership, once slavishly obedient to Belgrade, seems to hold the independence card to reserve and insist on equal treatment to a fedaration where Serbia always has had the final word.

Mr Novak Kilibarda, head of tha People's party, the biggest opposition group which identifies with Serbia, says: "The government wants a common state only as long as it is opportune."

Prime minister Djukanovic says, "if the republic wants to change its position in the federation, another plebiscite will be held", but reaffirmed his personal commitment to a unified Yugoslav state. He also

arranged for Garcia Abrego's

rapid extradition to conceal his

connections with leading politi-

cians and bureaucrats," said Mr Guillermo del Rio Ortegon,

a senator for the leftwing Rev-

S drug enforcement

agents say they have no proof Mexico's drug

syndicates have infiltrated the

government, although the agents concede that the vast

wealth of some Mexican politi-

cians raises questions about

the origin of their fortunes. Mr Zedillo bas said he

regards drug traffickers as the

gravest threat to Mexico's

national security and has engaged the armed forces in

the war against drugs. Over

12,000 troops have been

deployed to northern states to

eradicate marijuana and onium

poppy plantations and to inter-

cept clandestine flights. Mr Garcia Abrego is alleged

to bave owned more than 10,000 hectares of ranchland in

northern Mexico, where

cocaine-loaded aircraft could

land undetected. His fortune

allowed him to buy off about 10

per cent of Mexico's anti-nar-

cotics federal police agents.

according to a government report obtained by Mexico

City's La Jornada newspaper.

However, his influence

began to wane once tha US

Drug Enforcement Agency

His brother Humberto was

captured in October 1994, and

turned its sights on him.

olutionary Democratic Party.

made clear his belief that his party could remain in power while relinquishing its hold over the economy.

Meanwhile, the future status of the Prevlaka peninsula, the southernmost part of Croatia which juts into Montenegro's Bay of Kotor, remains one of the obstacles to normalisation of relations. President Bulatovic says he is confident that this last potot of contention could soon be resolved. although be blamed Croatia for reneging on a commitment to exchange Prevlaka for Bosnian Serh land behind Dubrovnik.

But for Mr Slavko Perovic, head of the opposition Liberal Alliance, Prevlaka is unimportant - he just wants an inde-pendent Montenegro. "Prevlaka has always been part of Croatia and we do not want one inch of anyone else's land," he says.

NEWS: THE AMERICAS

in Orange **County probe**

By Christopher Parkes in Los Angeles

The focus of the probe into the \$1.7bn Orange County bank-ruptcy scandal is expected to shift firmly to financial services firms following a deal freeing a prominent former government official from the threat of federal prosecution.

Mr Matthew Raabe, ex-assistant county treasurer, who has complained of a conspiracy of silence among others who wanted to see him bear the blame for the unprecedented collapse, is expected to be dropped from the Securities and Exchange Commission's investigation within days.

Under a so-called "consent decree" Mr Raabe - without admitting to any wrongdoing will agree not to commit any securities offences in

Observers closely linked with the bankruptcy said simi-lar bargains were expected with other elected and appointed government officials, but financial services professionals could expect no

such leniency.

The deal with Mr Raabe is the first decisive move in a year-old SEC probe which is believed to embrace a wide spectrum of advisers, under-

writers and brokers. Mr Raabe, former members of the Orange County board of supervisors, local utilities, and several financial firms were served last autumn with notifications that the SEC intended

to pursue suspicions that they had violated federal securities

For example, CS First Bos-ton, the county bond under-writer, has acknowledged receiving such a notification but yesterday refused to com-

Merrill Lynch, the investment group at the centre of civil actions launched by the Orange County administration, yesterday refused to confirm or deny it bad also been served with a similar warning.

Education anthorities are among local agencies warned of impending SEC action over their issue of so-called "casino" bonds, the proceeds of which were invested directly in the Orange County investment pool which dried up in December 1994.

According to recently-leaked evidence from grand jury hearings, Mr Raabe, who still faces trial in county court on securities fraud charges, has spoken freely in testimony.

Although be pointed a finger firmly at Mr Robert Citron, the former county treasurer awaiting sentence after pleading guilty to fraud charges, he said there were "people who com-mitted acts who...would prefer that this case ends with an indictment and conviction of Citron and myself so that they can go free".

According to Mr Raabe's lawyer, their client would probably agree to co-operate with any further SEC investiga-

Shift of focus | US, Mexico hail drug baron's capture | Thaw to

per cent, according to official

Leslie Crawford looks beyond the arrest and extradition of Juan Garcia Abrego

he governments of Mexico and the US yesterday celebrated the capture of Mr Juan Garcia Abrego, one of the world's most wanted drug traffickers, although his arrest and deportation to the US is likely to spark a fresh war between Mexico's rival cartels for control of the illicit empire he left behind. Mr Garcia Abrego's Gulf Cartel is believed to have con-

trolled one-third of the cocaine smuggled into the US from bases that spanned Mexico's entire eastern coast. He built a fortune of several billion dollars by forging links with Colombian cartels and organising the shipment of their cocaine across Mexico's 2,000-mila bor-

der with the US. The US-born drug baron was put on the FBI's Ten Most Wanted Criminals list after a federal grand jury in Houston charged him with money laundering and other drug-trafficking crimes to 1993. There was a \$2m reward for information leading to his capture.

Mexican agents arrested Mr Garcia Abrego in the northern city of Monterrey on Sunday. On Monday, he was bundled into e light aircraft – handcuffed, kicking and screaming and deported to Houston. where US officials say he faces a life sentence if convicted.

Mexican and US drug enforcement agents say they will now concentrate their fire on Mr Amado Carrillo Fuentes, leader of the Juarez cartel, who is reputed to be the most powerful of Mexico's many drug traffickers. Known as the Lord of the Skies, Mr Carrilio Fuentes was six years ago little more than an errand hoy for the Pacific Cartal which



Garcia Abrego: believed to have controlled a third of cocaine smuggled to the US from Mexico

Mexican officials say they face innumerable obstacles in the battle against home-grown drug cartels, which have become more powerful and sophisticated with the hlows inflicted upon Colombia's Cali

and Medellin syndicates. Mexican drug barons are now thought to control more than 75 per cent of the cocsine that enters the US. Drug money has corrupted Mexico's federal police and anti-narcotics squads, and, many Mexicans fear, the highest echelons of government. In addition, officials say, Mexico's creeking

and antiquated legal system lacks the basic weapoury to combat organised crime.

There are no laws penalising criminal conspiracies in Mexico, and no effective laws against money laundering. Nevertheless, Mr Garcia Abrego's arrest was seen as a triumph for Mr Antonio Loz-

ano, the attorney-general, who has fired hundreds of currupt police officers and restructured the regional headquarters of his anti-narcotics department in an attempt to sever the alltoo-often cosy relationship between top law enforcement

Mr Lozano, the only opposition member in President Ernesto Zedillo's cabinet, is bated by the ruling Institutional Revolutionary Party (PRI). But he has earned the respect of the broader popula-

tion for hattling corruption

within the police forces. In Washington, Mr Nicholas narcotics matters,"

Burns, State Department spokesman, hailed Mr Garcia Abrego's capture as a "breakthrough in the struggle against international drug traffickers." He said it would "enhance US-Mexican collaboration in anti-

his chief lieutenant. Mr Jose Adolfo de la Garza, fell a year

unleash flood of ever, was criticised by some **US** data opposition members of the Mexican Congress. "It is clear the Mexican government

By Michael Prowse in Washington

US government agencies resumed publication of economic data vesterday after a gap of nearly five weeks caused by the budget dispute and last week's East Coast bliz-

zard. The Commerca Department said housing starts rose 5.7 per cent betwaen October and November to a seasonally adjusted annual rate of 1.42m. This was a bigger gain than expected, but few economists expect housing to show much vitality in December or Janu-

ary.

The lack of official data has contributed to an edgy mood in financial markets, partly because the economy was seen as losing momentum before the statistical blackout. "The anecdotal evidence suggests an economy where final demand is tired and inventory production has been excessive," said Mr Robert Dederick, economic consultant at Northern Trust,

a Chicago bank. He said the Federal Reserve was likely to "lend a helping hand" by cutting interest rates at the end of this month.

Data-starved analysts can now look forward to a steady stream of figures. However, the delayed data will be hard to interpret for several weeks. Even the more timely numbers will have limited information value since they will be distorted by the effects of the shutdown and the weather," according to Mr Jim O'Sullivan, an economist at JP Morgan, the New York bank.

Trade statistics for October will be released tomorrow as well as the Fed's "beige book" assessment of regional trends. The beige book will be up to date because the Fed was not affected by the government shutdown.

On Friday the Commerce Department will release revised figures for third quarter gross domestic product on the new "chain-weighted" basis (which compensates for changes in the structure of prices) as well as data on new

uebec separatists' drive unsettles business confidence premier this month, has pledged top to fear that [in the next referendum] in the first year of independen

By Bernard Simon in Toronto end Robert Gibbens in Montreal

Quebec separatists' push towards independence could help drive two pillars of Moutreal's business community from the French-speaking

Bank of Montreal, Canada's oldest and third-biggest bank, warned this week that it would be obliged to move its head office from Montreal

if Quebec broke away from Canada. The bank is also considering chang-

Separately, the Canadian Pulp and Paper Association is expected to decide soon whether to move its annual paper week conference and exhibition, which is considered one of the premier events in the international forest-products industry calendar, from Montreal to Vancouver. The event, to be held later this

month, attracts about 15,000 people. Western Canadian pulp and paper producers have been pressing the CPPA for some time to expand its presence on the west coast.

The separatist camp came within a hair's breadth of winning an independence referendum last October, and is confident it will gain a clear majority when the next vote is held. Mr Lucien Bouchard, the separatist leader who takes over as Quebec

priority to the province's sputtering sconomy. However, observers expect him to aim for another referendum sometime in 1997. The federalist opposition in the province is in dis-

Mr Matthew Barrett, Bank of Montreal chairman, told the annual meeting that without imaginative new strategies to hold the country together, "there are several reasons

the partisans of independence would carry the day and force all Canadians into an economic crisis." The bank says a break-up would

push up interest rates by 3-4 percentage points, and drive the Canadian dollar down to 68.5 US cents from its current 73.30 cents. The impact would be especially severe in Quebec, whose gross domestic product could fall 7 per cent

The threat of secession has prompted a steady exodus of capital and talent from Montreal in the past two decades. Although Bank of Montreal still has its head office in the city, most senior executives now work in Toronto. Montreal has the highest office vacancy rate among Canadian cities, and Quebec's unemployment rate is well above the

INTERNATIONAL NEWS DIGEST

BMW to tackle car crime in S Africa

By Roger Matthews in Johannesburg

BMW the German luxury car manufacturer, has taken the extreme step of trying to protect its market share in South Africa by including anti-theft and hijacking insurance in the price of new models.

The decision has been taken to challenge the soaring premiums charged by insurance companies because of the perception that BMWs are the favourite targets for the country's increasingly active vehicle thieves and armed hijackers.

In 1994 vehicle thefts rose nearly 30 per cent from the previous year to 110,000, and a further but smaller rise is expected to be revealed when statistics are available for the past 12

months. The worst affected province in insurance companies demanding is Ganteng, which includes greater Johannesburg and Pretoria. where in insurance companies demanding ever-increasing premiums from BMW. They show that hijackers last year did not discriminate against particular manufacturers and their thefts hijacking is particularly prevalent with 9,400 vehicles seized by armed groups in the first I1 months of last year and 43 drivers murdered during the robberies.

Mr Chris Moerdyk, the public affairs manager at BMW, yesterday said the company had suffered from the widespread public perception that its cars were most at risk. "On the cocktail party circuit in northern Johanneshurg and in the media the idea was being circulated that only BMWs were being hijacked. If it had gone on we would have been wiped out in a few years," he said. Mr Moerdyk said this had resulted

owners. "Premiums had risen to ludi-crous levels." he said. "Whereas, worldwide, a reasonable insurance figure would be between 5 per cent and 10 per cent of the retail value of the vehicle, owners here were being asked to pay as much as 25 per cent. It was clear that the insurance companies were trying to squeeze as much as

they could out of our owners." The situation was made worse for BMW by the reluctance of the police and insurance companies to provide a breakdown of statistics showing which makes of cars were most sought by the hijackers. But figures leaked by the National Crime Inforbroadly reflected market share.

This put Toyota at the top of the league, with BMW representing just 6.19 per cent of all vehicles hijacked. 1.4 points below its market share. This confirms exactly what we have been saying all along. BMW drivers are at no greater risk than anyone else," said Mr Moerdyk.

He added that BMW had already received a positive response to its insurance plan, which costs the company about 5 per cent of a new vehicle a value. Customers are encouraged to secure collision and damage cover from their regular

BMW is also taking the fight more directly to the hijackers. As part of an anti-crime initiative launched by Business South Africa, the employer organisation, 100 of the most powerful BMW models are being delivered to the Gauteng police to supplement its vehicles, most of which are unable to match the hijackers for speed.

The IOO cars, worth R22m (£4m), will initially be on loan to the police, pending a response from President Nelson Mandela to Business South Africa's suggestions for tackling the nation's crime wave. Assuming the response is favourable, it is likely that a substantial part of the cost of the cars will be borne by BMW as its contribution to the Business SA ini-

the halance will come from

interest on the deposits.

Nigeria is off cover for most

international banks and ald

agencies, so raising loans has

kind in Nigeria which has car-

ried out an approved environ-

mental impact asaessment prior to construction," said Mr

Theo Oerlemans, managing

director of Nigeria LNG, which

has received permits from the petroleum ministry and the

environmental protection

agency for the scheme. The

company says it has also negotiated with officials and local

inhabitants on the route of the

270km plpeline hringing the

There are environmental

benefits to the scheme.

gas from the fields to Bonny.

"It is the first project of this

proved almost impossible.

in Sierra Leone Sierra Leone's military leader was ousted by fellow officers in

Bloodless coup

a coup yesterday, six weeks before elections planned to return the country to civilian rule, state-run rudio reported. There were no reports of bloodshed, and the ousted leader, Captain Valentine Strasser, was promised safe passage out of his war-torn, impoverished country. Heavily armed soldiers patrolled the streets and blocked roads leading to government

neadquarters. An overnight curfew was announced. A statement said Capt Strasser had been replaced by his former closest associate in the junta, Brigadier Julius Maada. Bio. It promised a statement later from Brig Bio.

The radio announced that some in Capt Strasser's military. junta had decided a coup was necessary to ensure a safe transition to civilian rule. Capt Strasser had vowed to hold elections for a civilian government ou Fehruary 26, despite an ongoing civil war. Aides close to Brig Bio said he opposed holding the election until the war had ended, or at least until

Israel claims monetary success

The Bank of Israel claimed vindication for its tight monetary policy yesterday following the announcement that Israel's 1996. inflation rate was 8.1 per cent, the lowest in 26 years.
To combat Israel's chronically high inflation, Mr Jacob Frenkel, Bank of Israel governor, has kept interest rates relatively high while enduring criticism from manufacturers

and members of the government. Inflation's sharp decline from 14.5 per cent in 1994 met the government's target band of 8 to 11 per cent and was achieved while the economy grew almost 7 per cent and unemployment. while the economy grew almost , per tent are likely to reassure shrunk to 6 per cent. The positive figures are likely to reassure foreign investors.

Mark Dennis, Jerusolem

Child soldier treaty 'blocked'

Child welfare organisations yesterday accused the UK, the US and other governments of blocking attempts to draft an international treaty prohibiting recruitment of child soldiers. The International Save the Children Alliance and the Quaker United Nations office said the governments were opposing an outright ban on the military recruitment of children under 18. frustrating the work of an intergovernmental working group which is trying to draw up an optional protocol to the UN convention on the rights of the child.

The US, South Africa and Pakistan are arguing for a lower minimum age while the others, including the UK, want the right to take under 18s as volunteers. Save the Children says this would weaken the convention since most child soldiers Frances Williams, Geneva joined the ranks voluntarily.

Saudi dissident appeals in UK.

Mr Mohammed al Massaari, the Saudi dissident ordered out of the UK earlier this month, has lodged an appeal against his removal. Mr al Massaari said yesterday his appeal would be based on a claim that the Caribbean island of Dominica, to which the UK arranged to send him, was unsafe and a place where the Saudi authorities could easily attack him. Mr al Massaari said that, as a parallel measure, be was also launching a judicial review in the high court to contest the legal reasoning behind the decision to remove him.

Mr al Massaari's case, which the UK has admitted was based on commercial considerations following Saudi pressure and lobbying efforts by the UK's defence industry, will be heard before an independent adjudicator. Roula Khalaf, London

Nigeria joins the club of LNG exporters

There are commercial and environmental arguments for the gas project, writes Paul Adams

clearing on the edge of the Bonny River has replaced the fishing vil-lage of Finema, now relocated downstream, and marks the site of Nigeria's most important industrial project.

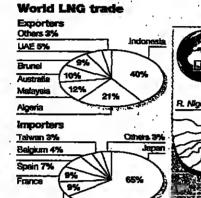
The liquefied natural gas plant near Port Harcourt will take Africa's higgest oil pro-ducer into the exclusive club of LNG exporters by the end of

In 1999, Nigeria LNG'a plant at Bonny will start producing 7bn cubic metres a year, about 8 per cent of the output of the world's eight hig producers, led by Indonesia, Algeria, Malaysia and Australia.

Other projects are starting to tap the gas potential in Nigeria. Agip is supplying gas to the Elema petrochemicals plant near Bonny, where Sheli has the largest crude oil terminal in the country.

Mobil's natural gas liquids plant, which will extract hutane and propane from the Oso condensate field, ls already under construction a mile away from the LNG site. By the turn of the century this remote corner of eastern Nigeria, which until recently was oot even linked by road to the nearest city, Port Harcourt, will be the most important industrial area in Nigeria. But Nigeria LNG is the big-

gest and most controversial of go-ahead for the project in mid-



S.Korae

December should have been Sani Abacha's military regime. cause for celebration: the Infuriated critics of the govern-\$3.8bn (£2.46bn) gas plant is the ment turned on Shell, which as most valuable project in Africa the higgest oil company in and Nigeria's biggest single Nigeria, had been the target of the Ogonis campaign and is lead partner in the LNG projinvestment. But when the main contracts were signed in ect. and demanded that it pull Lagos there was mainly relief out of the gas scheme or face a from the partners - Royal Dutch Shell, Elf Aquitaine, consumer boycott.

Sbell insisted that halting

NIGERIA

the project would harm Nigeria National Petroleum Corporatlon - that Nigeria's most more than the regime, which important step to developing has pledged to hand over its vast gas reserves had overpower in 1998. No revenoe will come political pitfalls which flow to the government until had blighted the project since its conception 30 years ago. all the investment costs have been repaid in 2007. The International Finance Corporation. Just before the signing was due, the execution of Mr Ken the commercial loan arm of the World Bank, withdrew its offer Saro-Wiwa and eight other Ogoni activists brought worldto take 2 per cent of the equity wide condemnation of General and head \$300m in credits, but



the other partners stood firm. The engineering and procurement contract was awarded to a consortium of Technip, Snamprogetti, MW Kellogg, and Japanese Gasoline Corporation for a plant which by mid-1999 will make Nigeria an exporter of LNG

worth about \$1hn a year. By 1997 the heavy process equipment will start to arrive at a purpose-built jetty and the contractors will employ more than 6,000 workers, mostly Nigerians. Nigerian gas has to he liquefied and shipped, an expensive process. The gas has to be compressed by a factor of 600 to a temperature of minus 162°C before being exported in Both the commercial and

The LNG project has minimal dependence on the rest of the Nigerian economy and the government. The initial output of 5.8m tonnes is all for export under forward contracts signed with overseas power utilities; Enel of Italy will take at least half, with the most of the rest going to BOTAS of Turkey. Enagas of Spain and Gaz de France. About 7 per cent is still under negotiation, In the 1994 agreement which

environmental arguments for

tha LNG project are strong.

less than for other countries

planning LNG schemes

because the gas supply is

already there, much of it going

revived the LNG project, the government cnt its normal majority holding in all energy projects through NNPC to 49 per cent, allowing Shell (25.6 per cent), Elf (15 per cent) and Agip (10.4 per cent) to take control. Furthermore, shareholders' capital is all in escrow accounts which avoids the risk of payment arrears from the government for NNPC's stake which have plagued the oll producing joint ventures in

Of the \$3.8bn project cost, \$500m has already been invested in four LNG ships and initial site clearing, just over \$2bn is in the escrow accounts, another tranche of shareholder capital is due next June and

Nigeria's oil fields produce gas for which there is no internal market, no means of export, and which cannot he re-injected because of the ground is moist and sandy. The equivalent of 200,000 barrels of oil a day, more than 10 per cent of Nigeria's Opec oil quota, is flared at the well beads.

This wasteful process harms the environment, and has caused much friction between oil companies and local com-munities. The LNG plant will reduce the flaring substantially, as it takes gas from fields operated by the three main onshore producers in Nigeria - Shell, Agip and Elf,

NEWS: WORLD TRADE

Jordan and Israel sign transport pact

By Mark Dennis in Jerusalem

Jordan and Israel yesterday signed a wide-ranging transportation pact, a vital step for both countries in their efforts to become regional husiness and transportation habs.

The agreement strengthens ties between the old foes and follows a trade deal signed last October, which gives Jorda-nian goods preferential access to the Israell market. A free trade deal, which was postponed due to Jordanian hesitation, is envisioned after three movement for commercial

Agip and the Nigerian

The transport pact, due to go into effect next month, covers air, sea and land links hetween the two countries, who ended 46 years of an official state of war In October 1994. The pact had heen delayed for three months while officials hammered-out a deal on sensitive air-corridor

The most dramatic initial effect will be on public transportation links and the ease of

according to NEC.

industry standard.

vehicles. Israeli and Jordanian trucks will be able to cross each other's territory and Jordanian trucks will gain direct access to the Palestinian territories. Busses will run directly between Israeli and Jordanian

In addition, the countries will be able to use each other's ports. Israel's Haifa and Ashdod ports on the Mediterranean will boost Jordan's trade with Europe. Jordan's port is

Aqaba on the Red Sea, whose

large facilities will help Israel's trade with Asia. Four flights a week are initially scheduled each way between Amman and Tel Aviv. The air routes will be served by the Jordanian national carrier Royal Jordanian and Israel's El-Al and Arkia.

Direct air links between the two countries will greatly reduce travel time, which can take hours over land due to border bureaucracy. A flight takes only 14 minutes and a business air-shuttle will start

the construction of a joint airport between Agaba and Eilat. The two countries will explore southern and northern rail links, which will further facilitate Jordan's trade with

Although trade between the countries has been minimal since the peace treaty, tourism m both countries has mark-edly increased and officials say the pact should further package tours to Jordan and Israel. Israeli and Jor-

able to drive their own vehicles hetween the countries, although Israelis will have to change to Jordanian licence plates at the border for security reasons.

The two countries are tomorrow scheduled to sign the remaining accords on the list of joint co-operation. These are related to communications, science, culture, and technology, marking maritime bordera and the joint airport

Samsung, NEC to standardise SD-Ram chips

By Michiyo Nakamoto in Tokyo

NEC of Japan and Samsung of South Korea, two leaders in the memory chip market, have agreed to standardise specificanons for a new type of chip expected to become increasingly dominant in the market.

The agreement to align their specifications for synchronous dynamic random access memory chips (SD-Rams), will Improve the companies' chances of taking a larger share of the memory market. SD-Rams are used in computing and telecommunication systems when rapid access is required.

NEC, the second largest semicooductor manufacturer in the world, and Samsung, the sixth largest, according to Dataquest, the US hightechnology consultancy, already have a combined 80 per cent share of the SD-Ram mar-

By aligning their specifications, "NEC and Samsung are looking towards taking the lead in a technology where there is going to be strong demand for stable and consistent supply," NEC said yester-

SD-Rams, which are more efficient in data transfer and receipt than conventional D-Rams, are forecast to increase thair share of the D-Ram market from just under 10 per cent at present, to obout 70 per cent by 1998.

S Africa eyes Congo dam project

Financiers boldly go where others fear to tread, writes Mark Ashurst

A t Sounda Gorge, the confluence of the Niari and Kouilou rivers in the Congo, Sooth African financiers are holdly going "The technology, which is needed for leading-edge equip-ment, will become dominant in where their European counter parts fear to tread. Early next century, the tropical gorge is expected to house a \$925m hydroelectric dam.

the next three to four years." SD-Rams are relatively new Its dimensions will be of epic and producers have been using different specifications. proportions: a wall 245km long. 1km wide and 95m high, retain-By standardising these, NEC ing 35hn cubic metres of water. and Samsung will be able to On completion of the third phase, the generating capacity will be 1,000MW of electricity, provide more stable supplies, raising the chances that their which is about 14 times the specification will become the Congo's current ontput and SD-Rams are currently about more than enough to end the 5 per cent more expensive than Congo's dependence on imports from Zaire and become

standard D-Rams. However, NEC hopes their price will be the same as standard D-Rams an exporter in its own right. Past attempts to get the project off the ground have found-The latest agreement reinered, although the demand for forces the co-operation electricity from Elf Aquitaine between the two companies, and Agip, oil companies with which bave heeo working plants at the Atlantic ocean together in the development of port of Pointe Noire, has long

been recognised.

Prior to independence in

1960, the French huilt access

roads, a cement processing fac-

tory and, crucially, a deviation

tunnel for the river. Electricité

de France, the French state-

owned company is one of many

parties that have tried without

Mr André Strydom, general manager of Rand Merchant

Bank's international division

which is financing the project's

first phase, is phlegmatic about the risks of investing in Africa.

"Corruption is rife, the politi-

cal and commercial risks are

huge, and most of the Ameri-

can and European banks have

success to finish the job.

advanced memory chips and microcomputers. World semicondoctor sales rose to \$155bn in 1995, up 40 per cent on the previous year, according to recent figures from Dataquest. Strong demand from the personal computer industry is driving

the growth. Analysts believe global demand for memory chips will be further boosted by the growing popularity of memory-hungry multimedia software which requires powerful parsonal computers, and hy increasing demand for semiconductor devices outside the electronics



withdrawn hecause of the shortage of hard currency," he

But since the lifting of sanctions agaiost South Africa, European and American institutions have begun to see the continent's southernmost tip as the springboard for investment in territories long viewed as enemies by Pretoria.

Inevitably, people with the skills to solicit credit guaran tees for secure and hankable transactions are in short supply. Mr Russell Schwartz, an independent specialist who structured the deal, says representatives of various African countries daily arrive in South

Africa "with Pandora's hoxes of opportunities, but the hit rate is low". The Sounda Gorge project is among the most audacious non-mining investments undertaken by South African huslness. The final target of \$925m is, recalls Mr Schwartz, "a sum

that scared us all to death. It's

clearly wrong to start with those kinds of figures." The task of South African financiars has been only to prove that the concept is viable, in this case by adopting an incremental approach which demonstrates the potential return on

Construction has been divided into three phases, beginning with the \$50m installation by Interpro, tha South African engineering group, of two hydro-electric turbines in the existing diversion tunnel. RMB will contribute \$15m. with the balance coming from the Congolese government and European institutions.

By late 1997, these turbines will supply about 10MW of electricity, even hefore work has begun on the main dam itself. "For a relatively small amount of money, we can generate power and immediate cashflow. We can show this works, quietly, then expand," says Mr Schwartz.

building a dam wall, 40m high at the second phase and eventually 95m in the third, will require external funds. To this end, RMB has pegged the repayment period at seven years, so that punitive debt does not dent the initial cashflow needed to lure overseas

Mr Strydom acknowledges, albeit discreetly, that the leg-acy of French domination in the Congo has worked in South Africa's favour.
"There is a real desire to see

African solutions succeed," he

But it is also a mark of the emerging free market in the Congo that both the government and South Africa's export credit agency, the Credit Guarantee Insurance Corporation of Africa (CGIC), have acted independently of French interests in the Sounda Gorge. Securing export credit guar-

antees remains the last hurdle for the Sounda Gorge project, and a final decision is expected this month. For at least as long as the

French franc underpins the currencies of fraocophone Africa, the sensitivity of old colonial participants will remain a critical factor. The CGIC does not want to

become a political animal. You're walking a tightrope all the time," notes Mr Schwartz. To satisfy their requirement that 70 per cent of the investment must be sourced at home. the turbines will be manufactured in South Africa hy Sulzer, the Swiss-hased engi**WORLD TRADE NEWS DIGEST**

West Africans to cut tariffs

Finance ministers from seven west African states yesterday agreed an interim system of preferential customs tariffs in preparation for free trade within the West African Economic and Monetary Union (UEMOA). The system will lead to a 30 per cent cut in tariffs for approved goods originating from member states. It will also give a 5 per cent reduction for some items originating outside UEMOA.

The ministers, meeting in Burkina Faso, agreed the measures would last for one year after which tariffs would be abolished completely on all goods originating in UEMOA

countries.

The UEMOA treaty was signed in Dakar in January 1994, when heads of state of west and central Africa and the Comoros Islands agreed to devalue their common currency. the CFA franc. The union aims to speed up regional economic integration to create a single market of 60m potential

BT in Japan voice services move British Telecommunications, the UK's dominant telecoms operator, and International Telecom Japan plan to add voice

services to the data services they are already providing in Japan. The UK and Japanese companies will offer the new services through Concert, the "global supercarrier" joint venture between BT and MCI of the US. MCI distributes Concert services in the Americas: BT has responsibility, with local partners, for the rest of the world.

The voice services to be provided by BT and ITJ will involve "virtual networks", a technical development giving customers the benefits of leased lines for the cost of public switched calls. ITJ and BT will share responsibility for sales and marketing, while ITJ will install and operate customer networks in Japan. The main competition will come from AT&T

■ Ericsson, the Swedish telecoms group, has won a \$90m contract from Columbian Empresa Nacional de Telecomunicaciones to supply a local telecoms network. The network, based on Ericsson's AXE public switching system, is for 110,000 subscriber lines. Christopher Brown-Humes,

■ Met-Chem Canada, a Canadian engineering and design unit of US Steel, will manage construction of a US\$1bn steel mill in Karantaka State, India, with completion set for 1997-98, and also a \$200m iron pellet plant. Met Chem has worked in India for more than 25 years. Robert Gibbens, Montreal An offshoot of OGC, the Aberdeen-based oilfield services company, has won a two-year contract for offshore

construction and maintenance work in Brunei. The contract, with Brunei Shell Petroleum, is worth at least \$50m to Laut AOC, a company owned jointly by AOC international, a subsidiary of OGC, and local Brunei interests. James Buzton CAE, the Canadian electronics group, plans to develop an aircraft overhaul centre in Pakistan with the Shaheen

force's fleet of Hercules aircraft. Robert Gibbens, Montreal Mitsubishi Heavy Industries of Japan has won an order for a cement plant from Sungshin Cement Manufacturing of South Korea. The plant will be capable of producing an annual 3.3m tonnes of clinker, used in the production of cement. Completion is scheduled for the end of 1997.

Foundation, of Pakistan. A joint venture will operate the

centre and its first contract will be servicing the Pakistan air

machinery pro-November 13. Fisc in 1 conservaa treit from Robble forms the year to See on The EPA contact to the recovery it. in export growth the weakings of the риэн разыназа — а felter of another re-

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Aust By Nikki Talt in Syr

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Taiwan ends telecoms industry monopoly

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By Laura Tyson in Taipei

Taiwan's parliament yesterday passed legislation ending a government monopoly and a ban on foreign participation in the domestic telecommunications industry, amid protests by employees fearing cuts in pay and

The legislation, proposed three years ago, will make Taiwan's telecom services more competitive and probably cheaper. Unregulated "greymarket" service providers, ranging from call back services to Internet

access providers, have proliferated in Ministry, will no longer be both oper-recent years, siphoning revenues from ator and regulator. Telephone serthe state monopoly.

With advances in technology. demand for more sophisticated ser-vices - including cellular communications, paging and data transmission services - has risen sharply in recent years. But deregulation and the legal framework lagged, slowing development of new services and limiting public access

With the new legislation, the Directorate General of Telecommunications (DGT), an agency under the Transport

vices will be spun off into a state-run corporation, to be called China Telecommunications Corporation, separate from the regulatory authority. Eventually the new entity will be listed on the stock exchange and pri-

Foreigners will be allowed a maximum one-third stake in common carrier service companies, including domestic and international telephone services, cellular and paging services. Vsat (very small aperture terminal, a

less telephone services.

There will be no curbs on foreign investment in value-added network services such as fax and data forwarding, remote data processing and online information services, including the Internet, computerised airline reservation systems, tele-conferencing and format and cable conversion services. Services will be liberalised in

The DGT is one of the Taiwan government's biggest income earners among its various monopolies. Reve-

satellite link service) and CT2 cord- nues in financial year 1995 were \$5.7bn, up 14 per cent from a year earlier. About half of revenues are generated by international telephone calls and cellular services.

The DGT's trade union has demonstrated in recent weeks against the legislation, which it fears will result in redundancies among 36,000 workers and cuts in pay and pensions.

Officials say telecommunications liberalisation is needed to achieve the government's ambition of transforming Taiwan into a regional operations centre for multinational corporations

ASIA-PACIFIC NEWS DIGEST

Singapore and Manila make up

Singapore and the Philippines vesterday restored diplomatic relations, eight months after withdrawing their ambassadors in the wake of the execution of a Filipina maid for double murder in Singapore. The dispute, which led to cancellation of annual joint naval exercises between the two countries. prompted the resignation of senior Philippine cabinet members including Mr Roberto Romulo, foreign secretary

Philippine officials said yesterday that they expected Manila to lift a ban on the sending of maids to Singapore shortly. Filipinos, who still believe the maid. Mrs Flor Contemplacion was framed for the murders, accused the Philippine government of having done little to prevent the Singapore Edward Luce, Manile

Canberra reforms to stand

Australia's opposition indicated yesterday it would take a softer line on some of the Labor government's proposed competition reforms, if it wins power at the next election. "Competition policy stands, in the broad," said Mr Tim Fischer, leader of the National party, the smaller of the two coalition opposition partners. "But it is clear there are certain discrete areas which will be the subject of a different policy approach."

Eight months ago, Australia's federal and state governments

reached agreement on a package which cleared the way for the introduction of competition policy reforms. Businesses affected are likely to range from state-owned utilities and ports, to legal firms and medical practices, as restrictive practices are ironed out. There have been concerns in the farming community - a traditional source of National party support - that the reforms will mean the end of centralised marketing boards operating so-called "single desk" selling. Mr Fischer reaffirmed yesterday the coalition would retain single desk selling for wheat exports. Nikki Tait, Sydney

UK-China military timetable

Britain and China yesterday agreed on a timetable for the transfer of documents and information on Hong Kong's military sites, which pass to Beijing when the colony reverts to Chinese sovereignty in July 1997. Although the deal does not open the way for People's Liberation Army troops to march across the border ahead of the handover - a fear of some Hong Kong citizens - Britain did not rule out a small advance party to prepare for the Chinese garrison's arrival. Under the original military land deal which was struck in 1994, Britain agreed to build China a new naval base in Hong Kong and to hand over 14 existing military sites to the PLA. in return, the Hong Kong government won valuable former Louise Lucas, Hong Kong

Murayama voted party leader

Mr Tomiichi Murayama was yesterday easily re-elected as chairman of Japan's centre-left Social Democratic party, 11 days after resigning as prime minister. His win denotes support for Mr Murayama's plan to merge his troubled party with the smaller New Harbinger party. They are partners in the government coalition led by the conservative Liberal

Democratic party. He yesterday promised "to make all-out efforts to create a new political force".

Mr Murayama's only opponent in yesterday's SDP election was Mr Tadatoshi Akiba, a member of the upper house of parliament. He opposed the merger plan and accused Mr Murayama of destroying the party's identity during his 18-month temure as prime minister. William Dawkins, Tokyo

Tokyo upgrades economic forecasts

By William Dawkins in Tokyo

Japan's official economic forecaster yesterday upgraded its moderately bright assessment of the domestic economy for the second time in two months. According to the latest monthly report by the Economic Planning Agency, presented to the new cabinet yesterday, the economy is crawling "out of a recent standstill, albeit gradually".

The fine detail of the EPA's wording, always closely watched by financial markets. is markedly less gloomy than last month's report, which said the economy remained in a "prolonged... standstill".

Share prices rose for the first time in four days, helped by US buying and prospects of improved earnings from companies sensitive to the industrial cycle. The Nikkel 225 average ended the day up 279.65 points, or 1.38 per cent, at 20,567.07, also reinforced by comments by Mr George Soros, the international investor, that Japanese shares are good value and that the yen will fall against the dollar over the next two years.

But the main reason for the improvement in the EPA's appraisal yesterday was the improved outlook for industrial companies' output. The agency highlighted month-onmonth gains in industrial output in October and November. tion to continue rising Into the turn of the year.

it was, equally, encouraged by a fall in stocks of unsold goods and materials in November. Officials stressed, however, that the extent to which inventories can go on falling will be an important test of the

durability of any recovery. The report also highlighted a recovery in housing starts and s gradual improvement in corporate capital investment. The outlook for capital spending brightened, with a separately reported 2.1 per cent rise in companies' purchases of machinery from October to November, the second monthly rise in a row. That represented a 10.9 per cent rise in orders in

the year to November. The EPA cited as other risks to the recovery the slowdown in export growth, caused by the weakness of US and European economies, and the possibitity of another rise in inven-

Kobe lifts its head out of the rubble

Business has revived but the quake has left a trail of problems, writes Emiko Terazono

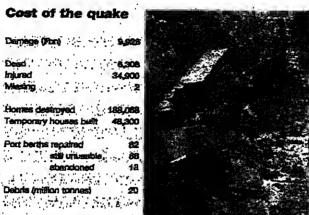
t 9.30 this morning, the Cost of the quake emergency alarms at Nestlé Japan's head office in Kobe will start ringing Damege (Pbn) - 9,926 and local employees of the Swiss food and beverage company will file out of the build-ing with their hard hats and survival kits for an earthquake A year after the quake devas-tated its office in central Kobe, Temporary houses built Port berths repaired

causing Y2bn (\$19m) losses, Nestlé has relocated to another part of tha city and operations are back to normal. The company, which transferred its Japanese main office from Yokohama to Kobe after the quake which devastated Tokyo in 1923, says this time it is not moving city. Many of the foreign employees were initially shocked, but there was no question it would leave Kobe, an executive said.

Many companies seem to sbare Nestle's view, and the number ahifting operations away from Kobe is surprisingly small, says the Kobe Chamber of Commerce Industry (KCCI). Cheaper costs compared to Tokyo and Osaka, and access to Kobe port, continue to be attractions. The region's business activ-

ity has recovered remarkably. The Hyogo prefectural government reckons industrial prodoction has recovered to 85.3 per cent of what it was before the quake. "People tend to think we're still buried under ruhhle. We would like to correct that perception," Mr Fuyuhiko Maki, chairman of the KCCI, said.

Kobe Steel, a leading steel-maker which suffered Y110bn while 90 per cent of Kobe's facturing plant, had been plan pect of a "scrap and build"



Jan 1995: Hanshin Expressway toppied . . .

shoe manufacturers have recommenced operations. Ship-ments by the sake distillers in eastern Kobe have rebounded. Restoration of the region's infrastructure has also been rapid because of heavy govern-ment spending in public works

reconstruction. Utilities were all restored by April, while the last rail link in Kobe to be rehullt started up in August. The main pillars of the Hanshin expressway, the toppling of which became a symbol of the destruction, were rebuilt this month and the whole route is expected to be back in place by October.

abandoned

Debris Imilian tonnesi

Source: Hyogo prefecture

Despite the impressive rebound in industrial activity, worries exist that complete recovery to pre-quake levels will take time, or will not happen at all since the earthquake accelerated changes occurring anyway in the Kobe economy.

ning a move away from central Kobe even before the earth-quake, due to new zoning restrictions which banned construction of new plants or expansion of old ones. "We just brought forward the plans," says Sumitomo.

Activity at Kobe port may suffer a net loss in activity, because of the damage but also because it was already suffering a decline in competitiveness as a hub for other Asian destinations. Higher costs and stringent regulations are

Although Kobe has restored nearly half the berths at the port and more than 80 per cent of the business has returned, the remainder may be lost to ports in Asia. "Trade which has moved to ports like Pusan and Singapore may never come back to Kobe," says the KCCL

Macroeconomic benefits of the most recent months in earthquake-related losses. Sumitomo Rubber, for the region's reconstruction recorded, and expects produce restarted its blast furnace instance, which has chosen to remain murky. Immediately the region's reconstruction ahead of achedule in April, close its Kobe golf ball mann-after the earthquake, the pros-

effect prompted excitement among the country's economists who saw a potential catalyst for a recovery in the country's overall economy, with estimates ranging anywhere between 0.5 and 2 percentage points added to annual gross

Now, the effects of Kobe have been swallowed up in the chain of events which followed," says Ms Tomoko Fujii, economist at Salomon Brothers in Tokyo. Nerve gas attacks, the initially high yen and a looming hanking crisis depressed hustness confidence while the yen's decline since the summer and the rebound in the stock market has helped restore it.

domestic product.

Housebuilders bave benefited. Housing starts for November rose 0.1 per cent nationwide from the previous year.

While the Tokyo metropolitan area posted negative growth of 4.6 per cent, demand for housing in Kobe pushed up the data in the Kinki region, which includes the area damaged by the quake, by 25.2 per cent. "If it weren't for Kobe, growth in housing starts would bave been negative." Ms Mineko Sasaki-Smith, econo-

Tokyo, says. But such effects have been neutralised by a decline in consumption in the Knbe area, where retailers were hit not only by damage to their premises but by a migration of their customers to other regions.

mist at Morgan Stanley in

Department store sales in Kobe plunged 35.2 per cent in November from a year earlier, whereas the figure for all of Japan edged up 0.3 per cent, the first rise in 45 months.



made homeless have moved into rent-free prefabricated public housing nr gone to live with relatives elsewhere, and the city has cut off official aid to public refugee areas, Emiko Terazono reports from Kobe.

But Mr Shinichi Sato, a 52-year-old dealer in antique art, has chosen to remain in the makeshift tent village in a park which initially served as an evacuation area prepared by US

Unlike some of the 800 refugees who have stayed on in other tent dwellings in parks and public areas around the city to express their anger against the local government and its handling of the disaster, Mr Sato says his motive is solely practical. "I managed to dig some merchandise out of the rubble, as well as myself, but they won't fit in the public bousing Kobe is offering us," he says. He and his wife suffered severe chest pains

from being buried under the rubble for more than two hours after the quake, but Mr Sato is philosophical about his fate and that of the

"I have no desire to criticise the authorities. It was a natural disaster, but by the way some people go on you would think it was the Kube government which caused the earthquake," he says, sitting in his open-air living room beside an old stove.

Despite the devastation, many of Kobe's residents seem to share Mr Sato's view. Incidences of mental illnesses and suicide have occurred, but most residents are trying to piece their lives back together in a typical display of

gaman (silent endurance).

Mr Sato says he is prepared to move out as soon as be finds a suitable place to set up shop and transfer his merchandise. But because many people have moved away from their old

neighbourhoods, "it's not going to be easy for merchants like me. "Even if we return to our old neighbourhoods and reopen our old businesses, our old clientele

won't be there to support us."

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China to restrict economic data

By Tony Watker in Beijing

China plans to crack down on the distribution of economic data, in a move condemned by foreign news agencies which warned yesterday of serious consequences for the free flow of information within the coun-

An edict from the state council. or cabinet, yesterday invested the official Xinhua news agency with exclusive authority to oversee the distribittion of economic informanon in China and said the step was being taken to "safeguard

state sovereignty". It said that "approved foreign economic information providers will be punished. if for destabilising the markets. their information to Chinese users contains anything forbidden by Chinese laws and regu-

lations, or slanders or jeopardises tha national interests of

China". An official of Reuters, the London-based international news agency which distributes its material in China both through Xinhua and directly to business subscribers, said: "On the face of it this has extremaly serious editorial implications for Reuters as well as for many other organi-sations active in China."

China has complained of what it perceives as "aggres-sive" reporting by foreign wire services, including Reuters, of problems in its fledgling commodities and stock markets. It has blamed western agencies Others specialising in economic information that will be affected by the tougher official

policy include Dow Jones-Telerate and Bloomberg, both of the US.

afraid this latest move will only send the signal that Chi-nese leaders still do not under-

Tha state council circular stand bow freedom of informacoincides with a sterner approach by Beijing to the for-eign press, including the expulsion last month of a German correspondent who had written unflatteringly of Chinese lead-

Traders on China's markets voiced concern about the proposed crackdown because of fears that the free flow of business information would be interrupted. "If it means Xinhua will control all information about China's financial markets, it will kill those markets," one analyst said in Bei-

jing. in Hong Kong, politicians and the media expressed deep concern over the move. "I am propaganda organs.

tion underpins economic success," said Mr Martin Lee, leader of the colony's Democratic party.

Xinhua has held a theoretical monopoly over the distribu-tion in China of foreign news since the Communists took power in 1949, but modern communications have eroded this control. The agency employs 7,600 people to run its news wire and its 40 newspapers and magazines.

Xinhua is under the authority of the central committee of the Communist party and is regarded, together with People's Daily, the party newspaper, as one of China's principal

Australia boosts Malaysian ties

By Nikki Tait in Sydney and Agencies

Australia and Malaysia are to upgrade their trade relations, so that regular con-sultations are held at full ministerial level. Mr Paul Kenting, Australia's prime minis-

ter, said yesterday. Our joint trade commission will be made a ministerial-level commission, which will orean ministers are directly engaged with the private sectors of both countries in identifying and pursuing opportunities for further co-operation," he

declared in Kuala Lumpur. Two-way trade between the two coun-Two-way trade between the two court mand saws, as when for keating described malaysia's Premier Mahathir Mohamed as tries expanded 22 per cent last year, to

about A\$3.2hn (US\$2.4bn), while direct investment has also been rising. Mr Rafidah Aziz, Malaysia's trade minister, will head an investment delegation to Austra-

ha in May. News of the trade ties upgrade came during an official visit by Mr Keating, the first time an Australian premier has visited Malaysia for more than a decade; part of the Australian aim had been to shore up the often fractious relationship between

the two countries. Despite the growth in trade ties, Malaysia has been sensitive to perceived diplo-matic slurs, as when Mr Keating described

"recalcitrant". Overlogging in Papua New Guinea, much of it carried out by Malaysian interests and criticised by Australia which supplies aid funds to PNG, has been another contention.

But after talks yesterday, Dr Mahathir said the relationship was "as harmonious as it could be". Both described their discussions as useful. The visit "is important in that it overcomes minor misunderstandings and lack of appreciation of each other," Dr Mahathir said.

Mr Keating conceded he had not touched on Malaysia's proposed East Asian Economic Caucus, from which Australia and New Zealand would be excluded.





Fears on future

of BBC World

Fears that the BBC World Service might have to cut broadcasts in languages other than English eased last night after a government retreat on plans to cut its budget. In the face of sustained opposition in the House of Commons from

the Labour party and from backbenchers in the governing

Conservative party, Mr Malcohn Rifkind, foreign secretary, said he had found a formula which could reduce the impact of

said he had found a formula which could reduce the impact or planned budget reducitors.

Mr Sam Younger, the World Service's managing director. had warned that output would be affected by a £10m (\$15.4m) cut in next year's operating budget and a 20 per cent drop in capital funding. "I think we are going to have to reduce programme services, and listeners will notice," he said yesterday. His warnings tempted Labour into staging a Commons debate on the World Service's future in the hope of embarrass that the management. However, Mr Rifthind moved to head off

debate on the word however, Mr Rifkind moved to head off any potential revolt. The World Service has been set a target of saving £21.8m in capital funding by 1999 through the gov-ernment's private finance initiative to lure private investors to

public projects.

The foreign secretary told MPs he hoped that the service would save £30m through the PM and that he and the Treasury would "look sympathetically at allowing" the surplus to be spent on programming. However, senior BBC executives

remained sceptical because most of the £30m arises from a PPI project to build and lease-back a relay station in Masirab.

Oman, and they doubt whether private money for the project

The corporation also claimed there was clear evidence that

individual enterprises gained significantly if they were situated in hig cities and that a "clustering" of activity could have

benefits for the nation. The authority published a wide-rang

ing survey of the London economy - by the London School of Economics and sponsored by London Transport - to back its

case. It showed there was strong evidence that the concentra

tion of enterprise in the capital created a noticeable "London effect", with individual companies performing significantly

better than they would if they were in rural areas. The report argued that "the UK risks losing its current lead in key

international husiness if investment is not focused on the

James Blitz, Westminster . Editorial Comment, Page 11

their homes than other Europeans. British institutions repre-

sent 16 of the top 40 lenders across the Continent. The survey

ranks Halifax Building Society and Abbey National bank as

the top two European lenders in terms of the value of their

outstanding loans to domestic customers. They are followed

Secrecy over road contractors

The government's Highways Agency has agreed to keep secret the names of some contractors working on the controversial

Newbury hypass amid mounting concern about potential threats from protesters. The bypass will take traffic on the A34

road round the historic town of Newbury 80km west of Lon-

don. The A34 is the main road from the southern England port

of Southampton to the Midlands. Two companies involved in

site clearance and wild life relocation at Newbury have asked

for their names to be withheld from the public to prevent possible damage to their businesses and to protect the safety

of their workers. The Highways Agency, a body responsible for spending public money, would normally be expected to pub-lish details of contract awards. More than 40 arrests were

by Credit Agricole and Credit Foncier of France.

The UK mortgage market is the largest in Europe, with British banks and building

societies dominating their con-

tinental rivals in size. Accord-

ing to Datamonitor manage

ment consultants, the UK

retail market in 1994 was val-

ned at \$588,6bn, compared

with \$534.4bn in Germany and

\$290.6bn in France. In its

study of the top 16 European mortgage markets, Datamoni-

tor says the UK's size is partly

the result of high bouse prices

and partly of a generous lend-

ing policy. House buyers in the UK tend to borrow a larger

proportion of the value of

Richard Wolffe, Personal Finance Staff

Nation of mortgage holders

Service ease

UK NEWS DIGEST

Government opens attack on EU directive

By Robert Taylor, **Employment Editor**

The British government urged the European Court of Justice in Luxembourg yesterday to annul the proposed European Union directive that will restrict by law the working time of employees to a maximum of 48 hours a week including overtime. It will also allow workers at least four weeks' annual paid leave. the government

appeared to make an important concession when Mr Michael Beloff, its advocate, said in court that working time "may have repercussions on health and safety for specific and identifiable groups of workers". Under article 118a of the Treaty of Rome laws can be drawn up at EU level without the need for unanimous support from member states if they concern the health and safety of workers "especially in the working environment".

Mr Beloff said the British government took "exception to the council's approach of presuming working hours generally affect health and safety of all workers". He argued that Brussels has no constitutional right to impose such laws on member states. The Council of Ministers passed the directive on working time in 1993 by a qualified majority in opposition to the British government on the grounds that it was a

The UK insists that such a scientific connection exists measure can be accepted only if it is unanimously agreed by all EU member states. "If the court reaches the view that the directive is not a health-andsafety measure but a social policy measure of a different character, it is invited to annul the directive in whole or in part."

He added that the UK accepted that "in certain limited situations and in specific industries a sufficiently proven

Products left on the shelf

between particular aspects of working hours and particular phenomena harmful to the health of certain workers and their ability to continue to work safely

The British argument was rejected by the Council of Ministers in 1998, which argued that the directive was "part of the social dimension of the community, and that fact in no way affects its legality". The council added then that all provisions of the directive were "necessary and sufficient" to protect the health and safety of workers. The council also said that "attainment of the internal market required such measures be taken to ensure the social dimension was not for-

gotten" The EU's advocate general is ast to give his opinion on the UK's case in March, and this will be followed by a full European Court verdict in the sum-

The economy Figures for unsold goods at odds with efficiency claims by store chains

"health and safety" measure.

Stocks cast cloud over cheerful retail data

Mr Kenneth Clarke, chancellor of the exchequer, doubts the numbers. But some economists in the City of London are distinctly spooked by them. Either way, as the retail sales figures are published tomorrow, a mystery dogs one ele-ment of retailing - namely the data on retailers' stocks of unsold goods.

In recent months the ratio of retail stocks as a proportion of sales has been rising sharply, according to the Central Stetistical Office. If the figures are correct, and some retailers question them, they cast a cloud over the recent cheerful news from the sector.

Although retail sales seem to have rebounded over Christmas, the upturn in spending will not boost gross domestic product if retailers simply run down existing stocks, rather than ordering fresh goods from

economist at HSBC markets.

Two billboards frame the view:

one states "Bristol's interna-

tional gateway project"; the other "Bristol's new central

business district". The view is

of a desolate 10ha wasteland,

The project, named Quay Point, was to be the high point

in the life of Bristol Develop-

a short but rumbustious life,

in spite of the failure to com-

plete Quay Point, Mr Christo-

pher Thomas, the corporation's chairman, said: "We have

achieved virtually all thet we

set out to do." But a local

councillor described the BDC

as "nothing short of a disaster

The BDC, established in 1989,

was one of 12 English imposed

by the government and given

funding and planning powers

to act as a catalyst in regenera-

tion All are scheduled to have

for the people of Bristol".

ment Corporation which, after

used for parking cars.

has just been wound up.

in Bristol

says: "The key question now is whether retallers actually feel confident enough to order more supplies on top of stocks they are holding." But the situation is made even more doubtful because the figures seem at odds with what many retailers are saying. Many are now streamlining their stock management systems, and they say that results in lower stocks.

Storehouse, which owns the **BHS** and Mothercare store chains, is typical of many retailers in introducing more efficient systems in the past year. Information about sales and demand has been computerised. Meanwhile the need to hold stock in warehouses is being cut out by using a small group of manufacturing suppliers who work to short-term specific production schedules. Storehouse says this has reduced the length of time that stock is held in its shops from 14 weeks at the end of 1994 to

about 11 weeks now. thet these retailers may still be an exception. The retail group

Bristol, 220km west of

ondon, is the largest city in

the west of England with a

population of almost 400,000.

But its bistory is more glorious than its present.

Bristol existed as a borough

more than 1,000 years ago. In

Britain's busiest ports, and for a long period it was the

second-largest city in England.

the quality of regeneration, the

community benefit and the

Bldding for funds is now

based on the principle of public

and private partnerships and,

in the BDC's case, the absence

of partnership was particularly damaging. From the start, it

was at loggerheads with

high cost of job creation.

the Middle Ages it was one of

House of Fraser, for example is one company which is now known to have been carrying excess stock last year. Mr Richard Scott, finance director. says the group is now addressing the problem through aggressive discounting. Last year, he says, the group got rid of most of its £10m (\$15.4m) surplus stock of summer clothes by heavy price cutting, and it hopes to get offload all but £2m of its £12m stocks of unsold winter clothes by next

But as Mr Patrick Movlan director of the management consultants Kurt Salmon Associates, points out: "UK retailers are only just starting to address the issue of stocks. Some have done this already. but others still have a long way to go. Whether mismanagement in

a few companies can really account for all the stock increase last year is unclear. Some economists suspect that However, cynics point out the official figures may be distorted by the sample size:

Desolation persists near 'Little America'

In more recent years it has

suffered from the decline in

the aerospace and tobacco

industries, and has fought

back by persuading financial services and other groups to

Bristol has strong links with

the US, origin of the largest

number of non-UK companies

which have established

petitioned parliament to pre-

given powers over 364 hect-

ares, a collection of untidy

industrial sites and derelict

land. Its short life meant thet

neither the BDC nor the

municipal anthority was

encouraged to find a modus

The local enterprise companies which are the covers Scotland outside the Highlands, insisted

At the outset, the BDC was

offshoots in the city.

vent its creation.

relocate to it.

tions has continually been Labour-controlled Bristol City

questioned, with disputes over Council, which unsuccessfully

Change in stocks in subsectors of Constant prices, seasonally adjusted 1.1 - 104 1990 91 92 93 94 95

may he less efficient than large ones in managing stocks.

However, the CSO itself rejects charges that the data are distorted. The stocks figures are based on information from 100 companies rather . optimistic about sales two than other GDP calculations, it

ment funding of £79m (\$122m),

which was modest compared

with big spenders such as Mer-

seyside in north-west England

The BDC talked at first of

bringing 18,000 jobs to the area

and attracting £900m of private

investment. Its latest estimates

are that 4,600 jobs have been

created at a cost per job of £17,000, with £235m of invest-

ment. But it claimed that per-

missions already in place could

create a further 7.400 jobs and

Mr Grant Watson, senior

partner of Alder King, a Bris-

tol-based property agent, said:

The corporation has stuck to

its guns and achieved quite a

lot in a short time, and one has

to judge whether that would have happened without it. I

£305m of investment.

that key development programmes would not

suffer. The organisation would make savings

and prioritise its activities better. Last month

says. It plans soon to widen its sample of retailers beyond large companies. This leaves some economists including Mr

In the BDC's own eyes, its

greatest success has been a

2km spine road to improve

access. The dual-lane carriage.

way cost £49.8m and is being

used by 22,000 vehicles a day. It also made possible the devel-

opment of what the BDC,

rather fancifully, nicknamed

"Little America" – an unaesth

etic but undoubtedly popular

complex of a multiplex cinema

bowling alley, stores and fast-

the headquarters of Nat West

Life, creating 1,000 johs.

Another success has been

housing, with 670 houses built

and a similar number planned.

conclude a deal on Quay Point.

The BDC had to scale back its

plans and negotiations with a Midlands-based developer, Cas-tlemore Securities, failed to be

concluded before the BDC was

wound up on December 31. The

site and the negotiations have

been transferred to English

Partnerships, the government'a

But the BDC was unable to

The star catch of the BDC is

food restaurants.

Shepherdson concluding that retailers "have just been over-There will be few mourners for the corporation set up to redevelop the city of Bristol

Ministry officials at a meeting of the Commission's cereals management committee in November thought this was what had been agreed. They failed to notice un petit détail.

we thought It had said,"

only if they provided new public access to the land or planted it with poplar or willow trees for fuel in power generators. UK officials were meanwhile

the misunderstanding. "It raises questions about people being expected to agree texts in foreign languages," said

Un petit détail ministry

It seems that language harriers are still causing emharrassing alip-ups for some member states in the European Union, Britain's agriculture ministry has had to retract information it gave farmers on new set-aside rules because of a language blunder. It agreed to a text in French, only to find out later that the conditions it had approved

Mr Douglas Hogg, agricul-

His junior minister, Mr Tony Baldry, regretted that farmers had been "misinformed."

The aim of the five-year arrangement, which is now coming to an end, was to encourage birds and wild flowers to return to countryside that had previously been

Britain had pressed the Commission to allow its farmof set-aside, earning guaran-

December, "it didn't say what

would qualify for payments

foxes the

By Alison Maitland in London

will be forthcoming. Investment urged by City The Corporation of London, the municipal authority for the City, attacked the government's failure to invest in the capital's transport infrastructure, arguing that declining commuter networks risked undermining the City's position as a financial centre. In a fresh attempt to encourage investment, the corporation said that over the past 30 years politicians had concentrated on the development of business centres and

urban communities in rural areas.

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ture minister, has written to Mr Franz Fischler, the European farm commissioner, ask-ing for the new regulation to be amended to take account of British needs.

The problem affects just over 1,000 farmers who have kept about 37,000 hectares of land uncultivated for the past five years under a Commission programme.

intensively farmed.

ers to put this land into another five-year programme teed payments of £340 (\$524) a hectare a year in exchange for managing it in an environmen-tally friendly way.

When the new regulation

explained the ministry. It turned out that farmers

putting a robustly Anglo-Saxon interpretation on

disappeared by the end of 1998. Scottish Enterprise had its total budget cut by £30.2m to £441.5m, a reduction of 6.4 per cent. new regeneration agency, which is also involved in the an average of 4.9 per cent, James Buxton writes The achievement of the in Edinburgh. However, Sir Donald MacKay, urban development corporathe chairman of Scottish Enterprise, which by Mr Michael Forsyth, the Scottish secretary. Harbourside project. US paper goods company bows to Brussels demand

in Strasbourg and Roderick Oram in London

Kimberly Clark yesterday agreed to sell its largest UK plant and and to temporarily divest some of its brands in order to win European Commission approval for its takeover of Scott The merger of the two US groups

will create the world's largest paper goods company with powerful brands such as Kleenex and Andrex. Their large UK and Irish market shares in toilet paper, facial tissues and kitchen

roll triggered a five-month investiga-tion by Brussels competition authori-

main operational arms of Scottish Enterprise, the development and training body, yesterday

had their budgets for next financial year cut by

The Commission said It would allow the merger because Kimberly Clark had agreed to sell plants in north-east England: to licence the Kleenex brand for use in the UK and Republic of Ireland on toilet paper and kitchen rolls; to sell the Scotties and Handy Andies brands for facial tissues: and not to use the Andrex trademark on

Competitors and consumer advocates were disappointed, however, that Kimberly Clark would retain the

which it is virtually a generic name. "Splitting the brand will not promote enough competition in the market," said Mr Stephen Locke, policy director of the UK Consumers' Association. "Brussels hasn't really sorted out the problem." Kimberly Clark said it would licence another mannfacturer to use the Kleenex name on toilet paper and kitchen rolls for 10 years. For a further five years, neither party would use the name but Kim-

berly Clark would regain control

Kleenex name for facial tissues for significant risk of confusion hy conwhich it is virtually a generic name. Locke said. One competitor said: "The ideal

solution would have been a clean and permanent separation of the Kleenex and Andrex brands." Procter & Gamble, the US consumer goods company, said it was a "much

better deal for UK consumers than Kimberly Clark originally proposed". The factory complex to be sold, Kimberly Clark's most modern in the UK, produces 80,000 tonnes of tissue a thereafter. Meanwhile, it would mar-ket Kleenex facial tissues. "There is a Kimberly Clark's share of UK tissue

paper production capacity by about 25 percentage points to below 40 per

Prudhoe might attract hids from several large papermakers. P&G is one candidate because it has no UK sales of tollet paper and kitchen rolls yet it has the leading brands in the US.

The Commission calculated that Kimberly Clark'a divestiture would cut its share of the combined branded and own-label UK toilet paper market by about 14 percentage points from between 50 and 60 per

Italian army buys Land Rovers Land Rover, part of BMW's Rover subsidiary, has won a

made on the bypass site yesterday.

contract to supply 370 Defender all-terrain vehicles to the Italian army worth an estimated L12bn. Rover said the deal was the first vehicle order for a British company from the Italian army. It said the first vehicles would be supplied later this year and that deliveries would continue throughout 1997. Haig Simonian, Motor Industry Correspondent

Car protest: Demonstrators will protest ontside Coventry Cathedral in the English Midlands today against a service being held to mark the centenary of the foundation near the city of the British car industry. The protest will be led by RoadPeace, the charity for road traffic victims. Protestant authorities had barred a wreath-laying ceremony at the cethedral "to remember victims of the motor car".

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By John Mason, Law Courts Correspondent

The Maxwell trial jury has finally gone the way of many families and businesses this winter and has fallen victim to

The jury, which has been out for nine days, was given vesterday off after one of its members fell ill. This was hardly a great surprise. On Monday a doctor had to be called to examine six of the tury apparently suffering from

Members are confined to a jury-room from 9h30 to 17h00 each day and are fed only sandwiches for hunch. All the while they are deliberating on one of the most publicised court cases in recent years. It yesterday in bed dosed up on scarcely equates to any recom-

Mr Kevin Maxwell and Mr Ian Maxwell are sons of Robert Maxwell, the publishing tycoon and one-time Labour MP who died in 1991. Mr Kevin Maxwell, Mr Ian Maxwell and Mr Larry Trachtenberg, a former adviser to Robert Maxwell, are charged with conspiring to defraud the Maxwell pension

mended healthy lifestyle. On Monday, the trial judge, Lord Justice Phillips, prescribed the jury plenty of fresh air to be taken during escorted strolls around nearby Lincoln's Inn Fields along with the provision of humidifiers in the jury room. However, he was too late to prevent one juror spending

funds by using shares in Teva, an Israeli pharmaceutical company, which were owned by the funds to raise money for Maxwell private Mr Kevin Maxwell faces

Sickness delays verdicts on Maxwell sons

another charge involving the use of shares in Scitex, another Israeli company. All have deuled the charges.

The illness has been the only blip in the wait for the jury to return their verdicts. Overall, the end-game of the Maxwell trial has conformed to the pattern of that in other long fraud trials. With juries frequently out for several days, these are tense affairs which grind down the nerves with each successive day.

jail sentences of up to 10 years per charge, confronted by press photographers each morning, the Maxwell defendants are not, it appears, having much fun. Mr Kevin Maxwell and his brother Ian spend their time holed up in an office 50m from the courtroom, generally appearing only at the end of the day when the jury has

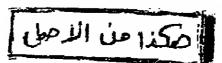
The judge remains in his room, generally appearing only at the end of the day to send the jury back to their hotel for the night. The lawyers, still earning their fees, spend their time either in rooms in court or back in their offices waiting for the call to hurry back. The courtroom therefore largely appears an abandoned place. Unsurprisingly, this seems Chairs are empty, files of docu-

been sent away.

worst for defendants. Facing mentary evidence now look redundant, their purpose

Not abandoned however by the media who sit it ont, trading gossip amid a sea of old takeaway coffee cups and newspapers. Mobile phone calls are made and taken accompan. led by that inexplicable but common ritual of walking around in ever-tightening circles or figures-of-eight

Speculation about what the jury are doing is a popular but fruitless activity. Its futility is underlined by calls from newspaper desk editors inquiring how close the jury are to verdicts. Faced with such questions, reporters bound by the restrictions of English law give the only possible reply: "I haven't the foggiest idea."





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The snag is that a company can do well in its product market but still fail to realise its potential shareholder value.

changes hands.

here's no substitute for good product-market performance, of course; and any multi-line business also has to allocate capital properly between its subsidiaries.

But that may not be enough. If the share price is to reflect that success, investors must believe in the company's current management and future prospects. And if they don't, you can kiss shareholder value goodbye.

How do you get investors to believe in you and your future? Talking to them helps. So does a convincing annual report. But endless investor meetings and a raft of glossy photographs will only get you so far. Both these lines of approach, after all, work best with current shareholders or likely prospects.

And they focus on specifics - strategy, performance,

current outlook. More general, "softer" issues, such as brand management, corporate culture and the climate of the operating environment are hard to communicate by these means.

o how do you deliver this more rounded message, to people who don't yet know they want to buy your shares? Investors who've vowed to steer clear of your industry, for example, after a nasty setback ten years ago. People who don't realise how the business has changed – and aren't likely to unless you tell

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If you have any comments on the questions this series raises, or you'd like to talk about the issues of communicating the corporate message, either write to John Makinson, Managing Director, Financial Times, at 1 Southwark Bridge, London SE1 9HL or call him on +44 171-873 3233. Fax: +44 171-873 3937. E-mail: John.Makinson@FT.com.

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BUSINESS AND THE ENVIRONMENT

eneral Motors' first commercial electric car is not about to usher in a new era of mass transportation. After \$350m (£230m) spent on development and five years of effort, the new vehicle, the EV1. will hit dealer forecourts in four cities in California and Arizona in the autumn. And like other electric cars it will be expensive, inconvenient to recharge and incapable of travelling anything but relatively short distances.

The EV1's contribution to automotive technology, however, is of a different kind. While it suffers the handicap of all electric cars - the lack of an effective power source the vehicle boasts victories over weight and wind resistance on a number of fronts: in design, use of materials and process

Also, through its pricing and marketing strategy, General Motors is testing for the first time just how difficult it will be to transplant electric vehicles from the laboratory to the street.

The vehicle has been put in the hands of its Saturn division, which made a success of creating and selling e range of small cars in the US to rival the Japanese. Donald Hudler, president of the divisioo, observes: "As with most oew technologies, a market needs to be developed and ourtured."

The timing of the EV1's launch this month seems paradoxical. It is only two months since Californian

UK 1993 by sector

Power stations

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Shares of estimated PM₁₀ emissions

The EVI is limited in distance but has made progress in design, materials and processes, says Richard Waters

GM jellybean has far to go

regulators backed away from a - and thereby extend the vehicle's out of the battery, which have requirement for the higgest car companies in the state to sell a prescribed proportion of zero-emission vehicles - in effect, those powered hy electricity - by 1998. While the immediate regulatory

threat has been lifted, the California Air Resources Board says it will not let up on a timetable for more zero-emission vehicles to be in use early next century.

GM's efforts also represent a long-term amhition to regain techcological leadership in the worldwide automotive industry, according to Jack Smith, the company's cbairman. A zero-emission car could be important in the coming battle for market share in Asia's crowded and increasingly polluted

In an attempt to reduce its weight

range - GM has giveo the EV1 a plastic hody over an aluminium frame. Every component has been subjected to a relentless search for ways to reduce mass: the seats, for instance, are 60 per cent lighter. thanks to the use of cast magnesium in the cushion frame and alu-

minium in the seat back.

To reduce wind resistance, the vehicle has the increasingly familiar jellyhean look - making its "drag coefficient" the lowest of any vehicle in commercial production. says GML

Some of the EV1's biggest advances are in the area of its electronic controls, says Frank Schweimhold, one of the executives in charge of its development. He singles out the controls that man-

helped extend the vehicle's range. Another example is the electric motor which drives the pump for the steering column's hydraulic system: by starting up only when needed, the motor uses only one fifth the power it would normally take to run the hydraulics. The EVI is also designed to recy-

cle power. A regenerative braking system turns the vehicle's drive motor into e generator when the brakes are applied, creating extra power to top up the batteries. Together with electronic controls that distribute the vehicle's braking power more effectively, this extends the car's range by a fifth, GM says. None of these edvances is enough to overcome the limitations inherent in the EV1's lead acid batteries.

teries will carry the car only 90 miles on an open road in perfect conditions, falling to 70 miles in city

Through a joint venture with a company run by Robert Stempel, its own former chairman, GM hopes to make the breakthrough that will

metal hydride battery soon: by the end of the century, the company hopes, this could double the EV1's

driving range.

An American wanting to take the plunge into all-electric driving will be able to do so for somewhere between \$30,000 and \$40,000, GM

near recovering its development

For that, they will get a car that Smith says is "quiet, peppy and fun to drive". For now, though, the marketing experts at Saturn have their work cut out. The EV1 may well get you from A to B - hut it probably

Big problems from tiny particulates

Jane Martinson on the impending release of a government strategy document on air quality

eath by dust is an alarming concept, hat one with a grain of truth big enough to cause national governments, medical experts and industry to commit time and money to researching it.

The detrimental effect on bealth caused by small particulates or PM10s, tiny particles of dust less than 10 microns in diameter and largely caused by diesel exhausts, power stations and other industrial processes, was the subject of two reports commissioned by the British government last November.

The research, by the Committee on the Medical Effects of Air Pollutants and the Expert Panel on Air Quality Standards, is expected to form the basis of a strategy document on air quality due to be published by the British government later this month.

The reports are also likely to be discussed by a European Commission working group set up to recommend standards on particulates and co-chaired by the UK. Based on the work of this group the Commission is due to put forward a directive on particulates by the end of tion. Opponents, such as environthis year.

The reports found evidence that PM10s caused early deaths among those already suffering from lung and heart disease or exacerbated their symptoms. They cited other research which suggested that between 2,000 and 10,000 extra deaths a year could occur in the UK because of such pollution.

In its preliminary response to the reports, the government concluded that particulates were "the pollut-ant which may have the potential for the most significant impacts on health". The departments of health, environment and transport adopted the recommended standard of 50 micrograms per cuhic metre as a 24-hour average for PMIOs. This standard is currently exceeded for about 10 per cent of the year in

most UK cities. The strategy document is likely to set this standard, along with others, as a target for local authorities to monitor and conform to ooce the document becomes law.

The UK limit met some opposimental groups and the Labour party, cited recent research by the World Health Organisation which found that if PM10 levels exceeded the new target for three days running there would be four extra deaths in a city of 1m.

Whatever the argument over the limits, the real debate is likely to be the best way to implement them. Tim Brown of the National Society for Clean Air believes the government has "put Itself into a bit of a corner" because the standards are going to be quite hard to meet given existing transport and industrial policies. The difficult questions over the cost effectiveness of each pollution measure are still to be agreed, he argues.

Diesel exhaust is the UK's higgest single source of PM10s and the strategy is likely to be to push for early action on vehicle emissions. Local authorities have already started to campaign for help to

meet the standard and are testing a

range of measures to enable them

to meet future standards. A week sel would be about £1bn. These after the particulates research was published. Reading Buses, the transport company owned by the local council in the city west of London, published its own findings

from a trial of cleaner diesel. The company found that by using City Diesel, a fuel which has a 0.001 per cent sulphur content, for five weeks earlier last year levels of PM10s fell by 43 per cent. If the results of the Reading test were to be replicated nationally almost 10 per cent of the UK's particulates emissions would be cut.

However, with the price of City Diesel about 3.5p per litre more than normal diesel the cost of running Reading's 170 huses on the diesel would be an extra £160,000 a year, according to Councillor Tony Page, Reading Buses chairman.

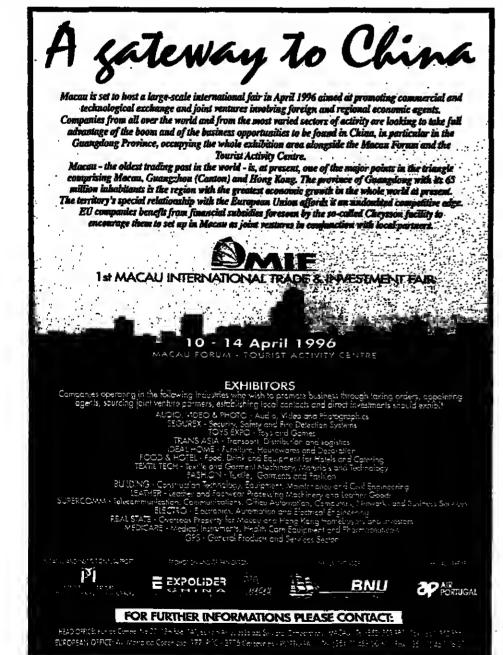
The UK's Petroleum Industry Association, which represents large oil companies, does not believe that City Diesel is cost effective. It estimates that the cost of modifying UK refineries to supply 25 per cent of the diesel market with City Diemodifications would take up to five years to complete, it adds.

The association says the industry is already investing about £300m to reduce the sulphur content of diesel from 0.2 per cent to 0.05 per cent hy October 1996, to comply with new European regulations. This will cut emissions by more than 10

per cent, it claims. It also believes that better engine technology combined with lower-sulphur diesel will cut exhaust partlculate emissions from a new Heavy Goods Vehicle next year by about 80 per cent compared with a five-year-old vehicle.

The Commission working group is malikely to commit tiself to specific measures to curb particulates. But as the health effects of particulates become better understood political pressures for emission reductions are expected to grow. The current research into the effect of air pollution have sparred tentative steps on the road to cost effectiveness. They could be the start of a long and ardnous journey.

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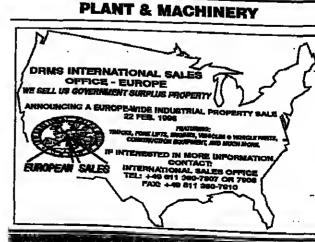
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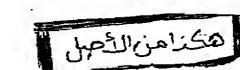
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Geoffrey Boycott tediously accumulating runs, ITV normally manages to win the ratings war these days, mainly with a succession of unoriginal and uninspiring drama series. But who brought us Pride And Prejudice? The BBC. Who got the Princess Diana interview? The BBC. And last night who began the wickedly revealing documentary series The House about the Royal Opera House? The BBC. The corporation always has its troubles (we are now being warned that the new chairman, Sir Christopher Bland, is "too close" to director-general John Birt, who worked with him at London Weekend Television). But when it comes to programmes that are original, exciting, and - even if conventional - outstandingly good, as with The House, seven or eight times out of ten nowadays it is the BBC that is making them. The other two or three are made by Channel 4.

The House is a series to restore your faith in television. It consists of six fascinating one-hour programmes which first of all illustrate what is dooe at Covent Garden: the production of operas and ballets. the work of the orchestra and dance school, and of all the specialised departments from costumes to sceoery. Theo they portray the characters involved, and while anybody might have foreseen the interest created by dancers such as Darcey Bussell, who falls about terrifyingly in a dress rehearsal, conductors such as Haitink, who groans at the idea of aeroplanes in The Ring, and known personalities such as general director Jeremy Isaacs, few would have expected to find themselves riveted by an account of the working lives of the waiters behind the crush bar, Peter and Bill, who have been serving together for 30 years without speaking. Familiarity long ago bred contempt, one of them calmly explains in programme 4.

The whole glorious, ramshackle undertaking puts you in mind of a great ocean liner: a self-contained world in which the grandeur and tradition seen by outsiders is sus-tained by armies of people out of sight, many working in awful conditions, some passionately dedicated and loyal, some concerned chiefly with earning a living. Even the physical conditions remind you of a big ship, with the contrast between glittering state rooms and the warren of passageways and cubby holes used by the staff. Nobody in The House ever mentions this, but the viewer is perpetually aware of the camera following people through what feels like a maze built for

white rats. What grips and holds you, how-ever, is neither the physical structure nor the people, but the real-life drama involved in mounting 270 performances a year. It will be said, until we are sick to death of hearing it, that this series is high quality soap opera. If that means-that The House is characterised by the sort of personal feuding upon which soaps rely, and that it is in the very nature of the business that at any time there are always several small crises and at least one major crisis

resumably by chance, the

themselves playing Beeth-oven's Grosse Fuge twice on Thurs-

day, conducted by Elgar Howarth in

the Queen Elizabeth Hall: once in

Michael Cielen's transcription for

multiple strings, and again in a new

Edwin Roxburgh transcription for large wind band.

An unlucky chance; for at the

Wigmore the night before, Peter

Cropper had led the Lindsay Quar-tet in the original music, fulfilling

its original purpose as the finale of the great B-flat Quartet Op. 130.

Where the Lindsay performance

seethed with heaven-storming

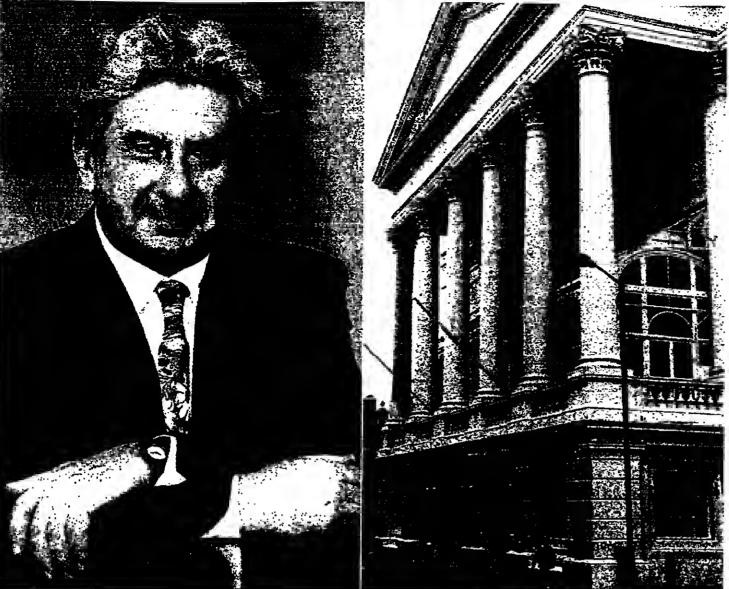
intentions, the LPO strings were

ludicrously, hathetically bland in

the Gielen transcription - and Roxbrand " ballaced a bein wirds "both

London Philharmonic -

parts of it, anyhow - found



Jeremy Isaacs and Covent Garden: the whole glorious, ramshackle undertaking puts one in mind of a great ocean liner

Television/Christopher Dunkley

Heroics in the House

house clearly is not like running.

say, a gas-fire factory. However interested wa may be in the difficulty of making gas-fires without the necessary parts, most of us will never feel the same sense of excitement and panic as we do when we see the people in The House forced to find a new Carmen at the last moment when the star loses her voice. Isaacs bas complained (surprisingly naively, given his background in television) that these programmes concentrate on the exceptional and tend to ignore the norm. It is the old cry of the "good news" brigade. Does he really expect to see reports of successful landings at Heathrow to balance

headlines over an air crash? Isaacs himself comes out of this series extremely well: a passionate advocate of high quality art, willing to go into the lists against anyone

great and the good who serve on tha boards and squeeze money out of private backers are also shown in an almost wholly flattering light. The occasional old-fashioned socialist viewer may raise an eyebrow at finding Bamber Gascoigne hosting a little private party in the royal retiring room (keeping sponsors happy, no doubt) or Tessa Black-stone swanning around at the Washington opening of Sleeping Beauty (vital PR, no doubt). But most viewers will get an impression of noblesse oblige, of huge efforts to cut costs, and of hard work.

Indeed, if there is a serions criticism of the way Michael Waldman and Andrew Betbell have made these programmes it is that being in the house for 12 months with their the sort of "old Spanish practices" cameras has turned them native. It which most of us thought had disis hardly surprising. When you are sticking lenses up the noses of peooccurring, then this seems to be undeniable. Running an opera money supply. The phalanx of the nervous breakdown hecause the agonies of subsidised art.

show must go on, you are likely to end np sympathising. It is arguably a dereliction of duty but no great surprise to discover that nowhere in the entire six hours does anybody ask whether it is really fair for nurses and trawlermen to pay taxes to subsidise seats for fat cats at the opera. (Yes, of course it is open to all - like the Ritz.)

The other side of the coin is seen just twice. A cab driver (surely a plant) grills Isaacs on seat prices and star fees, and Isaacs responds through gritted teeth. Then the camera finds a dear old cockney widower who says he sits in the slips every night for a mere £2 or so. But although the series does proappeared with the Fleet Street print unions, this series is really not

Like the old Hollywood musicals about Broadway, it is in thrall to the glamour and high emotion of life in "the house". And why not? These programmes show that it is drop dead romantic to work in a place where the end product - the Dance of the Knights or The Chorus of Hebrew Slaves - can be heard echoing up the staircase of a winter's afternoon. It is not like working in a bank or a shipping office. There is something heroic about the stage crew (however oddly rostered and paid) working through the night to strike one set, ready for the day crew to install another for a different performance that night, There is something glorious and noble about keeping that splendid curtain going up every night in this beautiful old house in the centre of

This series proves it, and in the process provides splendid entertain-

Theatre

Ayckbourn & Co's farewell production

never lets up. This week, the Salisbury Playhouse revives the playwright'a celebrated 1973 trilogy The Norman Conquests; on January 30, a touring production of his 1974 Confusions starts in Brighton; and, in March, Sheffield's Crucible Theatre stages his 1981 Way Upstream. Nor is this a particularly high quota of Ayckbourn productions round England during any three-month period.

All these works and more started life in Scarborough, where Ayckbourn wrote his first play (aged 20, under the pen name Roland Allen) in 1959. Until 1976, he wrote for its Library Theatre; the Stepben Joseph Theatre in the Round in the Westwood School Building has been his home for the last 20 years. Now he is preparing to move to a new theatre, two blocks away. Though this was announced in 1993 with the move planned for 1995, the huilders are not expected to quit work in the new theatre - a former Odeoo cinema – until aı least March.

We will report on the oew theatre in due course. Now, however, is the moment to revisit the present one. A family group of seasoned Scar-borough players has just revived Ayckbourn's 1976 Just Between Ourselves there. The director, Robin Herford, joined the company there as an actor in that very year, 1976, as did his wife Lesley Meade, who plays Vera; the role of Neil is taken again by its original actor, Malcolm Hebden, who first joined the company in 1975. Everyone is good, and it is worth visiting Scarborough just to study every detail of Hebden's playing in particular.

The character he creates - Neil, the pathetic neighbour who becomes, to his own run, a kind of succubus to Dennis, his new friend and host - is so ordinary and so drab that you are surprised to see him onstage at all; and Hebden inhabits this character so fully that perfectly ordinary moments reveal qualities that we find hilarious. The solemn bot tentative way in which he walks around the car he is inspecting as a possible purchase for his wife Pam - he cannot drive

be Ayckbourn industry himself - and the lugubrious tooes in which he tries not to drink a cup of sugared tea: these prepare us early on for the larger comic strokes he makes later on. "Sometimes..." he confides uneasily but needily about Pam to Dennis in the second scene, "Sometimes she gets yery amorous." And he adds, with further embarrassmeot, "At night

Lesley Meade makes Vera a classic study in lower-middle-class wifely domesticity, and Marlene Sidaway makes her destructive mother-in-law Marjorie almost mild and innocent and reasonable. Nothing Jon Strickland and Elizabeth Rider do, as the heartless Dennis and the humourless Pam, detracts from the organism of the play. (These may well be, however, the hardest roles in this play. At any rate, this is the second production of Just Between Ourselves in which I have found Dennis somewhat over-emphatic and Pam not quite robust or detailed enough.)

It is always a shock to return to the Stepheo Joseph Theatre-in-the-Round, especially if you have seen a West End production of one of Ayckbourn's plays since your last visit. It is so much smaller than you had remembered. The auditorium has just 300 seats, about slx rows deep on all four sides of the stage, which the audience has to cross to reach its seais. I saw both the 1994 Scarhorough world premiere of Communicating Doors and its West End premiere last summer; but to revisit the stage that gave It birth is to be astonished at how much Ayckbourn squeezed onto it, and bow well. The programme for this Just Between Ourselves revival contains a charming 20-year-diary by Ayck-bourn himself in which he recalls many of the theatre's other achievements. He has more than earned his new theatre; may it reward him as well as has his old one.

Alastair Macaulay

Just Between Ourselves continues at the Stepben Joseph Theatre-in-the-Round, Scarborough, until Febru-

Betjeman to music

hen David Benedictus' tribute to Sir John Betjeman was first staged in 1976, it's subject apparently commented, "Do you know, I didn't think I was that good!" After seeing this revival of Betjemania, I'm afraid l still do not. Betjeman's dyed-in-the-wool Englishness is of that sort routinely fawned over by certain American tourists as "quaint", and of course he traded on this quaintness relentlessly. Taken in large doses, however, his gentle irony and self-par-ody too readily subside into a double bluff, as the affection in his observations of a particular class and period outweighs the always polite criticism. In truth, he was not so much the poet laureate of the UK, but of the home counties. He would seem at first to be an ideal source for light musical entertainment, but the cumulative effect of this production is rather like eating

Richard Syms' direction is approprintely gentle, only cutting loose (with the assistance of choreographer Elizabeth Blake) on a handful of the musical numbers, most notably The Varsity Students Rag. Com-poser and pianist John Gould's music is thoughtful and fitting throughout, never more raucous in the aforementioned rag or an odd burst of genteel early jazz.

an entire Battenburg cake in one

Of the four performers, Nicholas Caunter supplies a stocky gravitas and Caroline Fitzgerald an air of wistfulness even to the mildly ridiculous gymkhana fervour of Hunter Trials. Mary Lincoln turns her band ably to a variety of moods, but the slight tang of deliberation in her performance is as nothing beside the frankly irksome Simon Butteriss who, even when aiming to be listening unobtrusively, too often displays the grinning rictus of a ballroom dancer. Butteriss' persistent camp undermines the show at several points: Syms' greatest error is to apportion to him both the "greatest hit" of this collection, Slough, and the lion's share of its most serious poem, The Arrest of Oscar Wilde

Betiemania has no great substance, but no pretensions to it. It rings a moderately novel change on the vogue for compilation musicals, and is at least infinitely more tasteful than the crass television commercial which has pressed Betjeman into posthumous service, with his candid regret, "I haven't had enough sex". Come to think of it, neither had we: Miss Joan Hunter Dunn was conspicuous by her

Ian Shuttleworth At the King's Head, London NI,

until February 18 (0171-226-1916).

Concerts/David Murray

Beethoven's 'Grosse Fugue'

wood and brass, to the scale and sound of an overweening village band. I think this transcription must be unrescuable. The Cielen string-version may be hardly more inspired, but it would be wrong to judge it on this performance: it had surely had no more than one brief rehearsal, and might well have been a first read through.

Lack of rehearsal-time (read 'money") was the reason privately given for dropping George Crumb's Echoes of Time and the River from its advertised programme, which should have been the substantial

novelty. We still got Birtwistle's accounts of it, from conductors with recent Prom hit Panic. It made an uncomfortable amount of noise in this hall, whereas the Royal Albert accommodated it easily; but the marks of confident structure were plain to hear amid the general reck-less exuberance, and the particular lazy eloquence of John Harle's solo

Edgard Varèse's seminal Ionisation (1931, for 13 percussionists) sounded loose-strung, its abrasive sounds either idly repetitive or just sudden and arbitrary. I have heard more incisively cogent

more instinctive, wayward flair than the judicious Howarth could muster.

Something like that was what lit up the whole of the Lindsay's Op. 130, as it does all their best playing. They also delivered the C minor quartet from Op. 18, stern and gripping, and the Op. 74 "Harp" quartet in unexpectedly subtle, seductive half-tints: but it was the six-movement B-flat work that became a vital experience.

After a strongly argued Allegro and a tough, deadpan little Presto,

with the "Danza tedesca" delicately wrenched to excruciating extremes and a Cavatina of naked feeling, they undertook the Grosse Fuge like intrepld mountaineers. All transcriptions of It miss the

point. It is not a grand "abstract" fugue, contingently and inadequately rendered for four strings; the Lindsay made an unanswerable case for bearing it as a work designed to stretch a quartet - just a quartet, no more - to desperationpoint, knowingly aware that they will be driven to make unlovely sounds. With Cropper's scrupulous, furious leadership, it built toward visionary heights, and more or less reached them.

It is rare these days to hear Beethoven realised with such raw. close-to-the-bona commitment, and to such luminous effect

INTERNATIONAL

■ AMSTERDAM

CONCERT Concertgebouw Tel: 31-20-5730573 Orchestra and Choir ol the Hooldstad Operette: with conductor Walter Althammer. Gala performance on the occasion of the 50th anniversary of the Hooldstad Operette. The programme includes arias and duets by J. Strauss, Lehar, Kalman, Offenbach, Gilbert & Sullivan, and others; 2.15pm; Jan 21 Rotterdams Philharmonisch Orkest; with conductor Claus Peter Flor perform tha overture to Mendelssohn's "A Midsummernight's Dream" and Brahms' "Symphony No.4"; 11am; Jan 21

■ BALTIMORE

EXHIBITION **Baltimore Museum of Art** Tel: 1-410-396-6310 Arshile Gorky and the Genesis of Abstraction: Drawings from the early 1930s: exhibition of 39 drawings by the Armenian-born artist Arshila

Gorky (1904 - 1948), one of the pioneers of Abstract Expressionism;

BERLIN **OPERA & OPERETTA**

Komische Oper Tel: 49-30-202600 Don Giovanni: by Mozart. Conducted by Yakov Kreizberg and performed by the Komische Oper;

■ CHICAGO **OPERA & OPERETTA**

Civic Opera House & Civic Theatre Tel: 1-312-332-2244 ● The Makropulos Affair: by Janácek. Conducted by Bruno Bartoletti and performed by the Lyric Opera of Chicago. Soloists include Catherine Malfitano, Kim Begley, Tom Fox, John Duykers, Kevin Anderson and Stephen West; 7.30pm; Jan 19

DETROIT JAZZ & BLUES

Detroit Orchestra Hall Tel: 1-313-833-3362 Joe Henderson: performance by the tenor saxophonist. Featuring the Wynton Kelly Trio, with Wynton Kelly on piano, Paul Chambers on bass

and Jimmy Cobbs on drums; 8pm;

DRESDEN

Jan 19

OPERA & OPERETTA Sächsische Staatsoper Dresden Tel: 49-351-49110 Belshazzar: by Handel. Conducted by Jörg-Peter Weigle and performed by the Sächsische

Staatsoper Dresden. Soloists include Claudia Kunz, Iris Vermillion, Jochen Kowalski and Günter Neumann;

■ FLORENCE CONCERT

Teatro Comunale Tel: 39-55-211158 Orchestra del Maggio Musicala Fiorentino: with conductor Victor Pablo Perez and planist Humberto Quagliata perform works by Brittan, Marco and Falla: 9pm; Jan 19, 20, 21 (3.30pm)

■ FRANKFURT

Städtische Bühnen - Oper, Ballett, Theater Tel: 49-69-2123744 Ballett Frankfurt: perform three choreographies by William Forsythe, Including two world premieres and the choreography "Four Point Counter"; 8pm; Jan 20, 21, 25, 26, 27, 28 (3pm)

HAMBURG CONCERT

Musikhalle Hamburg Tel: 49-40-346920 Ilaria Mancino: accompanied by pianist Carla Cuomo. The mezzo-soprano performs songs by Satle, Tosti, Weill and others; 8pm;

■ LAUSANNE

CONCERT Selle du Métropole Tel: 41-21-3122707 Orchestre de Chambre de Lausanne: with conductor Claudio

Scimone and guitarist Göran Sölischer perform works by Rossini, Villa-Lobos, Puccini and Boccherini; 8.30pm; Jan 22, 23 (8pm)

LONDON CONCERT

Barbican Hall Tel: 44-171-6388891 BBC Symphony Orchestra: with conductor Andrew Davis and the BBC Symphony Chorus, conducted by Stephen Jackson, perform ives' "Harvest Home Chorales", Symphony No.2", "General William Booth" and "Symphony No.4"; 7.30pm; Jan 21

 London Sinfonietta: with conductor Oliver Knussen perform ives' "Over the Pavements", "Tone Roads I and III", "All the Way Round and Back", "Theatre Orchestra Set", "The Gong on the Hook and Ladder" and "Three Places in New England" (Chamber version); 5.30pm; Jan 20 OPERA & OPERETTA London Coliseum

Tel: 44-171-8360111 Die Zauberflöte: by Mozart (in English). Conducted by Alexander Sander and performed by the English National Opera. Soloists include lan Bostridge, Janice Watson, Peter Snipp and John Connell; 7.30pm; Jan 18, 20, 26, 31

MUNICH EXHIBITION

Bayerisches Nationalmuseum Tel: 49-89-211241

 Der Grai. Artusromantik in der Kunst des 19. Jahrhunderts: exhibition devoted to the legend of the Holy Grall and its influence on art, especially in the 19th century. Highlights of the exhibition includa

the omament "Der Graf" by the goldsmith Theodor Heiden, stage designs and properties for the first performances of Richard Wagner's opera "Parsifal" in Bayreuth and Munich, tapestries by Burne-Jones and Morris, and the monumental

painting "Parsifal" by Anselm Klefer; to Jan 21 OPERA & OPERETTA Tal: 49-89-21851920

 Simon Boccanegra: by Verdi.
 Conducted by Fabio Luisi and performed by the Bayerische Staatsoper. Soloists include Paolo Gavanelli, Amanda Roocroft, Ulrike Schneider, Jan-Hendrik Rootering and Sergej Larin; 7pm; Jan 21

■ NEW YORK AUCTION

Sothebys Tel: 1-212-606-7000 Important Americana from the Collection of Mr and Mrs Adolph Henry Meyer: sale of more than 200 pieces from the collection of Adolph and Ginger Meyer, which includes examples of 17th century, Queen Anne, Chippendale and Federal furniture as well as pieces of folk and decorative art and furniture. Centrepiece of the sale is a Chippendale block and shell-carved mahogany kneehole desk, attributed to Edmund Townsend, Newport, Rhode Island, 1770; 2pm; Jan 20 EXHIBITION

Solomon R. Guggenheim Museum

Tel: 1-212-423-3600 Class Oldenburgh; an Anthology: retrospective exhibition devoted to this Swedish-born American artist. The display includes designs and soft sculptures, vastly enlarged objects mada out of canvas.

kapok or vinyl; to Jan 21 OPERA & OPERETTA Metropolitan Opera House Tel: 1-212-362-6000

 Turandot: by Puccini. Conducted by Nello Santi and performed by the Metropolitan Opera. Soloists include Ghena Dimitrova, Veronica Villaroel and Michael Sylvester; 8pm; Jan 19

PARIS CONCERT

Théâtre des Champs-Elysées Tel: 33-1 49 52 50 50 Russian State Symphony Orchestra: with conductor Evgeny Svetlanov and pianist Vladimir Ovchinikov perform works by Tchaikovsky, Liadov and Scriabin; 8.30pm; Jan 20

ROME CONCERT

Accademia Nazionale di Santa Cecilia Tel: 39-6-3611064 Orchestra dell'Accademia di Santa Cecilia: with conductor Vladimir Spivakov, perform Tchalkovsky'a "Francesca da Rimini" and "Swan Lake", and Shostakovich's "From Jewish Folk-Poetry"; 7pm; Jan 20, 21 (5.30pm), 22 (9pm), 23 (7.30pm)

■ WASHINGTON

CONCERT Concert Hall Tel: 1-202-467 4600 Saint Louis Symphony Orchestra: with conductor Leonard Slatten perform Barber'a "Symphony No.1", Baker's "Whispers and Echoes" and Rachmaninov's "Symphony No.2"; 5pm: Jan 20

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ing to sabotage the whole

European project or to turn it

into a mere free-trade area

Edward Mortimer

The wrong priority

As Emu slips out of reach, the EU needs another project to focus on: a political union for a wider Europe

Will the European Union have a single currency on January 1 1999? An English-speaking commentator who wishes to ba considered pro-European should really keep any doubts he has on this point to himself. By voicing them, he runs the risk of being accused, at best, of wallowing in Euro-sceptic schadenfreude (delight in the misfortunes of others), at worst, of actively conspir-

devoid of political content. Still, it is hard to be more royalist than the king (as the French say), and it is perhaps not obligatory to have more faith in Emn than its strongest French supporters. At last week's annual Franco-British conference the French participants unanimously assured us that President Jacques Chirac is 100 per cent determined to achieve monetary union in 1999, and to do whatever is needed to ensure that France meets the Maastricht criteria in 1997. Bnt they also admitted that, as the deadline approaches, the feat is getting harder and harder

This was not ao much because of the will to resist expenditure cnts demon-strated by French public sector employees in last month's strikes. Rather it was because alower-than-expected growth is producing lower-than-expected revenue and thereby keeping France's government deficit well above the Maastricht figure of 3 per cent. Such a problem is as likely to be aggravated as cured in the short term by further fiscal tightening - and between now and 1997 only the short term

Some British Euro-enthusiasts tried to cheer up their French colleagues by suggesting that, when the decision has to be made, Germany will interpret the criteria flexibly. But the French knew better. The decision, they pointed out, will have to be taken in the run-up to German federal

elections due in autumn 1998. However flexible Chancellor Helmut Kohl might wish to be, he could not hope to carry public opinion against the Bundesbank on tarms for abolishing the D-Mark.

So French policy is, it seems, to hold on and hope against hope. Perhaps such courage and tenacity will be rewarded by a timely upswing of the business cycle, but what will Chirac do if it is

His worst option is surely

simply to wait for the statistics, and for the thumbs-down from the German government. He would do better to seize the initiative, abruptly slashing interest rates and announcing that France has resumed control of its currency and its economy. Such a policy was openly advocated, before Chirac's election, by one of his leading supporters, Philippe Séguin (now president of the National Assembly). Chirac implicitly rejected it when he asked Alain Juppé to head the government; but if he changed his mind (and his prime min-ister) later this year, or early next, he could say he had at least given Maastricht an honest try. It would not be his fault that it had not worked.

Still, that would amount to tearing np a treaty that France has signed and ratified. Chirac might have difficulty in persuading the now

Opinion polls suggest that most people do see the need for closer co-operation in foreign policy and defence to deal

uncertainties

with all the new

to co-operate. Anyway, it would be a damaging admission of failure in a project to which virtually the entire French elite had committed itself. And it could mean the and of French pretensions to be leading Europe in equal partnership with Germany.

A less traumatic way out would be for France to propose a postponement of Emn until Italy is ready for it, arguing that the "hard core" of the EU must include, at least, all six of the founder members. The risk there is that postponement will be interpreted. notably by the markets, as a euphemism for abandonment.

Either way, the blow to the morale of those who believe strongly in European integra-tion would be very serious. It would be something like Black Wednesday, or worse, on a continent-wide scale. Perhans the nearest parallel would be the French National Assembly's decision to vote down the European Defence Community in 1954.

EDC was the Emu of those days. It was seen as the European project. It had been devised by French statesmen as a way of keeping German rearmament under supranational control; and it backfired because tha idea of merging the French and German armies, less than 10 years after the second world war, proved too much for French nationalism to swallow.

Tha parallel is instructive because the abandonment of EDC did not, as it turned out, mark the end of European integration. Within a year, at the 1955 Messina conference, the governments concerned were engaged on a new project, the European Economic Community, which was to grow into the EU we have

They had failed to convince the public of the need for European defence integration, at a time when European defence was being organised through Nato, under firm US leadership. So they went back

independent Bank of France to economic integration, which had a dual purpose easily understood by the public: to increase economic opportunities for all, and to bind the societies of western Europe together so that they would never again be tempted to make war against each other.

Today things are rather the other way round. Most west Europeans are satisfied with the degree of economic integration already achieved, and many fear that further advances will intrude too much on their daily lives, or will make it harder for their national governments to protect them against adverse cir-

But opinion polls suggest that most people, even in Britain, do see the need for closer co-operation in foreign policy and defence, to deal with all the new uncertainties of the post-cold war world, especially since the willingness of the US to involve itself in all Europe's security prob lams can no longer be taken for granted.

Many people feel intuitively that Emu, a project conceived in the 1980s, was the wrong priority for Europe in the 1990s. It may or may not be a good long-term goal, but it is less urgent than the task of projecting stability eastward and allowing peoples like the Czechs, Poles and Hungarians whom Stalin prevented from joining in the recovery of western Europe after 1945 - to resume their rightful place.

That implies enlargement of the EU, which is now accepted in principle. But it also implies a strengthening of the EU's capacity to take decisions, while clearly limiting the scope of those decisions to things that states really can do better together than separately (the principle of subsidiarity). That is supposed to be the task of the intergovernmental conference which will open in Turin in two months. If Emn is to be the EDC of the 1990s, it is all the more important to make Turin the new

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·LETTERS TO THE EDITOR·

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +14 171-873 5938 (please set fax to 'fine'), e.mail: letters editor@ft.com Translation may be available for letters written in the main international languages.

Agreement from the opposition

From Mr Ray J. Groves. Sir, With reference to the alleged US "constitutional paralysis" mentioned in the Lex column ("US politics", January 13), it should be noted that the North American Free Trade Agreement was enacted in 1993 not because the Democrats controlled the White House and both Houses of Congress but rather only because tha majority of the Republican members of Congress supported President Clinton, whereas many Democratic members of Congress did not support their own president.

787 Seventh Avenue, 26th floor, New York, NY 10019,

Recognition of interest

From Mr John Donavan. Sir, Before the word "stakeholder" is distorted out of recognition by our semi-literate apparatchiks, perhaps an attempt should be made to define it.

"Stakeholder": an independent party (individual) with whom each of those who take a wager deposits the money etc wagered. Surely not what Lady Thatcher is so uptight about or, indeed, what Labour leader Tony Blatr is

talking about.
"Stakeholder analysis" is a favourite piece of MBA-inspired gobbledegook, and might be regarded as a little "wet" by the Thatcherites

It provides a useful framework within which to evaluate ethical and political pros and cons of a particular action from the viewpoints of all concerned, that is those with a stake, however remote, in that action.

Presumably a stakeholder society is one in which the stakeholders (voters) have an acknowledged interest, at least until after an election.

John Donovan 17A La Plata d'Ordino, Principality of Andorra

No help from bank independence

From Mr Gerald Holtham. Sir, John Crow (Letters. January 5) asserts that "empirical economic evidence" establishes that central bank independence leads to lower inflation without any loss to economic performance. I know some academic articles make that claim but I would dispute

it strongly. Take Mr Crow's own experience. He was a distinguished governor of the Bank of Canada between 1987 and 1994 when he established a greater degree of independence of government than any of his predecessors. Consumer price inflation was at 4.4 per cent in the year that he took over and

was at 0.2 per cent in the year that he retired. Inflation was clearly reduced. Concurrently. the Canadian budget deficit was at some C\$20bn when be arrived, rose to C\$35bn and was still at C\$25bn in the year that be left. The gross debt of the Canadian general government rose from 69.2 per cent of grass domestic product in 1987 to 95.6 per cent in 1994 (OECD data).

Was the deficit not a consequence of monetary policy? Would the government have followed such a fiscal policy if it had not been able to hide from the markets be to de from the markets behind Mr Crow's reputation as an inflation fighter? Was this not

yet another instance of the gross policy imbalance which almost always follows central bank independence? Would Canada really have been worse off if inflation had remained at. say, 2 to 3 per cent and some of the debt build-up bad been avoided?

In skewing economic policy, central bank independence generally damages harms economic performance. Other examples are easily cited.

Gerald Holtham Institute for Public Policy Research, 30-32 Sonthampton Street, London WC2E 7RA.

Clear reason for postponement of union

From Mr Peter Provost. Sir, Following the strange choice of name for the common currency, the Euro, the mind boggles at the reported suggestion of Mr Theo Waigel, the German finance minister – a suggestion supported in your letters column (January 12) by Mr Edmund Dell - that subsequent to the inception of the Emu, backsliding members face the threat of eviction. It is of course inevitable that, over time, the comparative wealth and finances of each member will vary as against each other and the "norm".

After the enormous expense of new currency and coinage; after the process of customer acclimatisation; after all the disorder and displacement; a member can be thrown out at tha diktat of some undefined committee.

To translate this extraordinary suggestion into understandable terms, there are nationalist movements in both Wales and Scotland seeking independence. It is a novel idea that either or both be evicted from the UK if their attributable borrowing exceeded an arbitrary

percentage of their attributable

gross domestic product.
The union of Europe, to be preceded by a currency union. may or may not be desirable or attainable. After the failure of the "snake" and the various editions of the ERM. too numerous to mention, please Messrs Dell, Waigel etc. please let the dream of union be postponed sine die.

Peter Provost, 14 Ashleigh Drive, Leigh on Sea. Essex SS9 LAD,

CNG not meeting hopes of vehicles market generation EVs for 2008.

From Mr A. Rushdi Siddiqui, Sir, You are incorrect in stating "Of the alternative fuels, compressed natural gas (CNG) is the most promising ("Smog clears over carmakers", January 11). If you were to examine the state of CNG vehicles in the US - a leader in alternative fuel vehicle technology - as reported in the bible of natural gas vehicles, Natural Gas Fuels, you would see: the industry revising its figures for CNG vehicles for the year 2000 to 250,000 from

• The new sought-after client is the high fuel-use fleet. Amoco, a highly visible player in the industry, closing one third of its natural gas stations due to economics. Only one two-thousandths of one per cent of natural gas is actually used as motor fuel.

 Alternative fuel providers. gas and utility companies, are fighting against federal government enforcement of purchase conversion mandates under the Energy Policy Act of

· The fnel may be "readily available", but the inferior quality of it is resulting in high engine failure rates. Thus, CNG vehicle technology has not met

expectations in the US passenger vehicle or fleets market. Separately, the north-east states will follow the California

Air Resources Board's decision to roll back the electric vehicle mandate (2 per cent) for 1998 because premature introductions would disappoint customers' expectations. The disappointment in EVs would increase hostility towards commercially viable second

Present EV battery technology (lead acid) has not only failed the cost-benefit analysis in demonstration projects in the US but also. according to a 1995 Carnegie Mellon study, emits six times more lead (a carcinogen) per kilometre than a Geo Metro powered by leaded gasoline. Furthermore, second generation EV batteries, lithium lon and nickel metal hydride, are prohibitively expensive and still in the prototype stage. However, there is a market for EVs and it includes golf courses. airports, malls, stadiums and

A. Rushdi Siddioni chief operating officer. Welsh Technologies, Inc. PO Box 443, Woodmere. New York 11598, US

Personal View · John Kay

Social life of the markets

Many countries with buoyant economies are far from being individualistic



Singapore position leader Tony Blair lannched

debate on the omy, is an extreme instance of a modern paradox. Capitalism is generally equated with indi-vidualism: market forces are said to require well-entrenched and well-defined rights in private property. Yet most suc-cessful market economies are far from being individualistic

No one would apply that epi thet to fast-growing Singapore, Japan or Korea – or to Ger-many, Norway or Switzerland, still the richest nations, even if their recent growth has been lacklustre. In all these countries the observation of former UK prima ministar Lady Thatcher that "there is no such thing as society" would be greeted with bewilderment.

Libertarians have always stressed exclusion - the right of individuals to opt out of society. But these countries are characterised more by inclusion - the right, and the obligation, to be part of society.

What these countries illustrate, in different ways, is that high degrees of group and social cohesion are not just capable of baing reconciled with capitalism. They may actually be important in making markets effective. The most truly individualis-

tic economy is probably Nigeria, and it does not work. This is not very surprising, Inclusion and shared values promota trust, co-oparative behaviour and the ready exchange of information. These things do not just make for a kinder, gentler society. They also yield hard-nosed commer-

Such values encourage closer working together, which is



Stakeholder economy: Blair (left) began the debate in Singapore

component reliability, imple-mented just-in-time production es and shortened model cycles. They help explain why tha German and Swiss have secured exceptional standards of production engineering. In the UK, trust, co-operativa behaviour and the exchange of information were the historic basis of the competitive advantage of the City of London.

The term "stakebolding" originated in discussion of the role of the large corporation, and it still finds its most important applications there. Companies have responsibili-

ties to develop the skills and capabilities of employees, and to try to achieve security of employment. These responsibilities are not purely instrumental. They do not exist simply because doing these things might make more money for the shareholders. They might – or then again they might not.

Nor is it desirable that such responsibilities be imposed as obligations by government regulation. Regulation is inflexible and damages weak businesses which cannot afford to do these things, however much they would like to.

Companies have responsibilities simply because that is how good companies behave in an inclusive society. Most business people know this, and their behaviour reflects it. But they do so much less than they

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influence of individualistic rhetoric and takeover fever.

The alternative to acknowledging that companies have these responsibilities is to say that training and unemployment are the concern only of the state and the individuals affected. They involve you and me only if such concern is forced noon us or if it is in our own narrow self-interest. The atakeholder perapective expects us to assume that responsibility more fully - not through the state, but as managers, as shareholders and as employees who still have jobs.

These complex, and often largely implicit, relationships within and between organisations are essential to modern business. Yet they find no role in the traditional left-right rhetoric, in which all economic power is assumed to rest with either the state or individuals. Old socialists and the new

right agreed on this dichotomy. and disagreed only on how large the role of the state should be. Yet the obvious fact is that most economic power rests neither with the state nor with individuals, but with groups and associations - of which large corporations are the most important.

Singapore is not the best e, since it has a powerful. if rather unusual, state. Look instead to Switzerland or Japan - very different societies, but each with important common elements.

In both countries, taxes and public spending are low relative to national income. Each is a strongly inclusive society, with welfare provision largely decentralised to corporations and communities. The regulation of economic activity is not based on state dictation, but on a strong sense of shared values and common objectives.

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Commentatora looking at these societies find it difficult to identify quite where eco-nomic or political power lies. The structure of Swiss democracy or the Japanese corporation is complex, tacit and even incoherent.

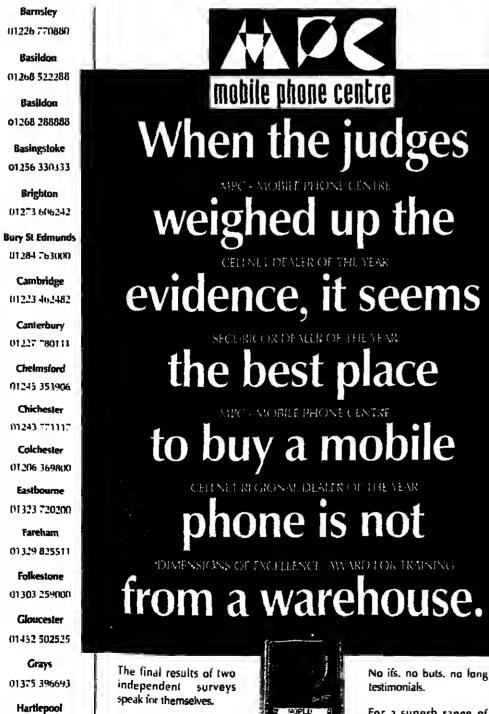
The advantage of this is that it is difficult for interest groups to capture the economic and political institutions of these countries. It also requires them to be run on behalf of the interests of all: anyone who exercises power must consider and balance the range of economic and social interests.

Stakeholder societies function primarily as the result of the existence of commonly held expectations and values. They are managed inclusively because that is how people believe they should behave. not because someone tells them to do so. This contrasts with the corporatist model, where such instructions come following negotiations between representative assemblies of intereat groups, such as unions, local councils or chambers of commerce.

The UK cannot simply emulate Germany, or Japan, or Switzerland, or Singapore Markets operate within a social framework which is the product of each country's culture and history. That is why these countries have as many differ-

ences as similarities. But Britain has much to gain from becoming a more inclusive and high-trust society. The aggressive individualism of the past 15 years is in many ways an alien philosophy.

The author is chairman of London Economics and visiting professor of economics of the Lon-



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FINANCIAL TIMES

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Looking to Ulster's future

the forthcoming report of the inde-peodeut hody charged with break-ing the deadlock over the decom-missioning of illegal weapons in Northern Ireland It is based in Northern Ireland. It is boped the report will play a central role in shaping a transition from the present, shaky, ceasefire in the provent, shaky, ince to a permanent peace.

The body, headed by Mr George Mitchell, the former US senator and present adviaer to Mr Bill Clinton, plans to publish its cooclusions in the middle of next week. No-one will begrudge Mr Mitchell and his colleagues this few days slippage beyond their original deadline of January 18. Until the issue of IRA and loyal-

ist arms can be put to one side there can be no substantive negotiations oo a new settlement in Northern Ireland. And the backdrop to Mr Mitchell's deliberations bas been far from ideal. The recent spate of IRA murders has been a reminder that powerful elements within that organisation still prefer terror to talks. The refusal of the leaders of Sinn Fein, the IRA's political wing, to con-demn such murders has deepened

the suspicions of unionists. Mr Mitchell, however, has won praise from all sides. Despite some residual suspicion in Whitehall about US involvement in the process, he bas proved himself an astute politician. He has been attuned both to the complexities of the issues and the need to remain an impartial arbiter.

Few therefore doubt that the body will produce a workable for-

obstacles in the way of all-party political negotiations. This would involve establishing a measurabla commitment by the paramilitaries eventually to disarm, and agreement on a verifiable means of

Most atteotion, bowever, will focus on the way Mr Mitchell deals with the present deadlock on the timing of decommissioning. The instinct of all sides will be to judge the report on the extent to which it backs Britain in its insistance that some arms must be destroyed before negotiations begin, or supports Sinn Fein in its demand that arms be retained until the end of political talks.

Such a reaction may be inevita-ble, but it would also be mis-guided. The importance of Mr Mitchell's report will lie oot in whether it backs one side or another in this dispute, hnt whether it charts a way forward which has a chance of winning the confidence of all strands of opinion in the province.

in this respect, the British government should dismiss any remaining fears that modification of its position would involve a loss of political face. Similarly the Irish government must be ready to insist that Sinn Fein deliver on any confidence-building measures demanded of it. Mr Mitchell's recommendations will carry real authority only if they secure the backing of the two governments. The indications so far are that be has a right to expect them to look to the future rather than the past.

Kohl's kitchen

Shakespeare's Julius Caesar had no doubts about it: "Let me have men about me that are fat," he said. "Sleek-beaded men, and sucb as sleep o'nights." He would have been comfortable with Helmut

The German chancellor is a man who positively revels in his splendid bulk. He wears his waistline as a badge of honour. He strides onto a platform with belt buckle the space, not simply stand there. His size is not merely his political password. It is a statement of belief, of self-assurance, as much as style. The man has no selfdoubt. He loves his food. He tucks in at the slightest opportunity.

As if this were not enough to Infuriate his more lean and hungry rivals, lesser mortals, every one, he has now advertised his ferocious appetite with a cookery book: Culinory Travels through Germany, It is a celebration not just of German cuisine, but of all it stands for: of motherhood, and apfeistrudel, of good home cooking round the hearth, of hand-copied recipes in the family cookbook, and above all, of the won-

derful wurst. Germany is a wurst-paradise, his book declares. Every hulging shape and size of sausage is celebrated lovingly in the text: from the mighty hratwurst to the stuhhy Bavarian weisswurst. Every man, woman and child in Germany consumes on average 25 kilos of sausages per year. But

that is not all. The chancellor's roll of honour is a tribute to the beartiest and heftiest fare a cook could dream of concocting: pickled pork knuckles with sour cabbage; carp in black beer; pig's stomach stuffed with apples; stuffed potato pancakes; rolled veal kidneys; beer dumplings with duck breast stuffing and plum sauce.

Contrast this endless vision of culinary incorrectness with the chancellor, Lord Lawson, who has abandoned self-indulgence for the diet. He is positively proud of hav ing shed four stone and more in a terrible onslaught on his once portly figure. He is even writing his own book to celebrate.

Lord Lawson is but a shadow of his former self, both physically and politically. Gone is the air of self-assurance. Gone the confident waistline.

Not so the German chancellor His self-indulgence is more than mere gratification. It is an expression of his identification with the ordinary German citizen, the secret of his political success. It is also a celebration of national identity, of cultural difference, in its cuisine. Mr Kohl may be the great European, but his is clearly not a grey monochrome Europe, where all must eat pasta or chips. He is the embodiment of a Europe in which sauerkraut survives, alongside his beloved saumagen, the Rhineland equivalent of baggis. As long as we don't all bave to eat

London first

When Londoo prospers, so does Britain. That, in brief, is the message of vesterday's London School of Economics report on the capital's future. It is essentially valid, however unpalatable the implications may be for regional leaders naturally anxious to corner more public and private resourcea to

improve their own cities. Large cities - particularly self-styled "world cities" including London - are back in the sun. Pundits have long since ceased consigning them to slow, if not terminal, decay. Even the muchvaunted information revolution is now widely regarded as a plus not a minus - a view supported, so far, by the City of London's experience as a financial centre gaining a strong comparative advantage from the combination of location. critical mass and leading-edge lelecommunications and informa-

tion technology.

The LSE report seeks to extend arguments about an "agglomeration effect" - the economic advantages cities gain from their size to other sectors. It notes, in particular, the national importance of the capital's airports, universities and arts and cultural industries. Nearly one-third of those working in these last two sectors in the UK

are based in Londoo. London Transport and the City Corporation have used these facts and arguments to call for increased concentration of government infrastructure investment in The notion that London is always a poor relation when it comes to infrastructure investment is risible. The National Lottery, the arts budget, state spend-ing oo inner-city regeneration. investment in a railway oetwork which largely radiates out of London - the catalogue of the capital's pulling power is extensive Lottery revenue for "good causes" a disproportionate amount of which is being lavished on London's cultural facilities, is only the latest addition.

However, the poor state of pub lic transport in London is a notahle cause of concern. The problem here arguably lies less in London's clout relative to the rest of Britain, and more in the reluctance of the present government to countenance flagship public transport investment projects anywhere in the UK. But either way, the misery of Loodon's commuter is largely attributable to inadequate infrastructure spend-

The LSE report carefully avoids the debate about the future government of London. This cannot be neglected for much longer. Even Lord Howe, a leading member of Lady Thatcher's government which abolished the Greater London Council a decade ago, now concedes that "there is a need for some such organisation". No other city of London's size lacks a coherent voice, and there is no good reason for continuing to refuse

Battle to bridge a policy gap

Papandreou's decision to resign has come just in time for Greece as it seeks to strengthen its position in Europe, says Kerin Hope

r Andreas Papan-dreon, Greece's ing back from disaster. He survived a scandalous love affair with an airline stewardess, three election defeats and a trial on corruption charges before leading his party's return to power in 1993.

a letter from the bospital where he has been fighting lung and kidney failure for the past two months. came as a rellef to cabinet colleagues; they feared he would have to be thrown out of office to make

way for a new leader.
"Mr Papandreon's resignation was long overdue," says Mr Elias Antonopoulos, an Athens husiness-man. "He couldn't do his job prop-erly because of poor health and he was making Greece look ridiculous. Now we have a chance to become a normal European country."
The battle to succeed the 76-year-

old Mr Papandreou will be decided by the weekend, in one corner is Mr Costas Simitis, a former industry minister who heads the pro-European faction in the governing Pan-bellenic Socialist Movement, Pasok. In the other is Mr Gerasimos Arsenis, the defence minister and leader of the populist faction, whose adherents cheerfully accept hand-outs from Brussels but resent the economic rigour imposed by Greece's attempts to meet the Maastricht targets for European eco-nomic and monetary union.

For whoever wins, positioning Greece more favourably in Europe will be a priority. Mr Papandreou's frail health prevented him from playing an active role at EU summits or visiting other European capitals, and be devoted more attention to rebuilding relations with the US.

Popular sympathy for Mr Papan-dreou's plight - he is still on life support machinery for several hours a day - had given way to impatience at Pasok's indecision over the succession. Opinion polls showed that an overwhelming majority of Socialist supporters wanted a new prime minister to take over this month.

To a large extent, the Socialists' reluctance to replace Mr Papandreou reflected a Greek political tradition of subservience to a charis-matic leader. Though he is unlikely to return to political life, Mr Papandreou will remain chairman of Pasok, which he founded 21 years ago. Neither Mr Simitis nor Mr Arsenis would attempt to imitate Mr Papandreou's autocratic style.

Mr Papandreon moderated both his anti-western rhetoric and his interventionist economic policies in the 1990s, when Pasok abandoned its Marxist charter in favour of becoming a party of European social democrats. But he remained in sole charge of policymaking, helped by an informal "kitchen cabinet" of advisers, including his wife Dimitra - the former stewardess -

and a few close associates. This group, which includes Mr Carolos Papoulias, the foreign minister, has come under sharp criticism during Mr Papandreou's illness for encouraging the unrealistic notion that he would soon be able to resume his duties. They are expected to follow the prime minister into retirement as soon as the new prime minister takes over. For Greece's economic managers.

Mr Papandreou's resignation has come just in time. The political vacnum was blamed for a decline in tax revenues at the end of 1995, upward pressure on interest rates



Costas Simitis, former industry minister and head of Pasok, and Gerasimos Arsenis, defeoce minister and leader of the populist faction

and financial market nervousness Mr Alex Papadopoulos, the finance minister, feared that last year'a achievements of reducing inflation to 8 per cent and controling government spending would be undermined. He says that cutting the government deficit from 10.2 to 8.7 per cent of gross domestic prod-uct this year and stabilising public debt is crucial to keeping Greece on

on the road to monetary union. Yet political uncertainty has not driven away foreign investors. The government last month signed contracts with overseas investors for a \$200m gold-mining project in northern Greece and for a Dr210bn (\$884m) bridge to be built across the Corinth Gulf. The bridge will be co-

financed by the European Union.
As the poorest EU member. Greece receives grants from Brus-sels equivalent to more than 4 per cent of GDP yearly. This year the government expects to draw down more than Ecu3hn in handouts from two special funds set up to help economically weaker member states catch up with wealthier partners. The EU, however, has said it will hold back a substantial percentage of this year's aid unless the govern-

ment sets up a "one-stop shop" to speed up investment approvals and a special committee to monitor progress on EU-backed projects. Greece's new prime minister will have to handle mundane matters of this sort, as well as larger policy issues, if he is to improve the country's standing in the Union

In the opinion of many observers, Greece has failed to mature as a fully committed member of the EU cluh. It has backed away from its old confrontational tactics with Brussels - such as Mr Papandreou's threat a decade ago to veto Spain and Portugal's entry unless Greece received extra funds - but it retains its habit of putting its own national interests above those of the Union. Greece joined in 1981 not so much because of any commitment to the single market but more in order to shore np its democracy, which was still fragile after the travails of the colonels' dictatorship.

The policy gap between Greece and its EU partners widened appreYngoslavia, Despite Greek claims of being a force for stability in the region, its pro-Serbian tilt and disputes with Albania and Macedonia only served to heighten tensions in the southern Balkans.

The succession crisis has slowed Greek efforts to repair ties with its Balkan neighbours following the Bosnian peace agreement. Greek husinessmen have moved into Macedonia following the lifting last September of a Greek trade blockade against the former Yugoslav republic, But UN-sponsored talks on ending the dispute over Greek objec-tions to Macedonia's name - one the Greeks claim belongs to them have been placed on hold until a

new prime minister is in place. The Socialists yesterday took pains to demonstrate that the pro-cess of choosing a new prime minister would be swift and smooth. Mr Simitis and Mr Arsenis officially announced their candidacies in front of the television cameras, before resuming their lobbying of the Pasok deputies who will elect the new prime minister.

Professor Nikiforos Diamandouros, an Athens university polltical dreou out of office was a painfully slow process. But his departure marks a qualitative change in

Compared with Mr Papandreou who kept voters spellbound - and could infuriate EU colleagues - the two frontrunners to succeed him are amiable but colourless.

he choice of the Greek business community is Mr Simitis, 58. When he was industry minister, he succeeded in implementing an EU-backed stabilisation programme in tha 1980s and has the confidence of the government's eco-

He has steadily built support among the 170 Socialist deputies following his failed attempt last year to make Mr Papandreou address the succession question. Most important of all, Mr Simitis is considered the man most likely to win the 1997 general election for Pasok.

Mr Arsenis has a strong following in the Pasok party machine but commands the support of fewer deputies. He will be seeking an unofficial endorsement from members of

fiercely opposed to Mr Simitis taking over, and be may also look for support from Mr Papandreou.

As central bank governor in the Socialists' first administration, Mr Arsenis lauoched a sweeping reform of the banks, but he is still mistrusted by businessmen because of his support for Mr Papandreou's policy at that time of nationalising industrial companies considered to

have strategic importance.

Three other candidates are expected to run. They are former foreign minister Yannis Haralambopoulos. acting prime minister Akis Tsochatzopoulos and speaker of parliament Apostolos Kaklamnis

Whatever the poll outcome, the transfer of power to a younger leader will belp Greece's evolution into a modern European democracy. Though struggles lie ahead the Socialists are likely to serve out the rest of their term. The chances are that Mr Simitis and Mr Arsenis will make an effort to co-operate, regardless of who becomes prime minister, if only to prove themselves worthy successors to Mr Papandreou.

Additional reporting



ciably during the conflict in former Papandreou: has devoted more attention to rebuilding relations with the US

BSERVER

IMI meeny miney mo

■ It was a typically modest caremony. Rainer Masera, the only minister stepping down (as opposed to remaining as caretaker) in the wake of the Dini government's resignation last week yesterday handed over Italy's budget portfolio. He is returning to run IMI, the banking group he left a year ago, with some rejuctance, to take up ministerial office.

Masera may have left quietly, but he will be missed. With his Oxford economics doctorate and Bank of Italy background, Masera, 53, provided the intellectual driving force behind the Dini government's economic policy. His quiet efficiency and knowledge of international finance helped him play a vital role in steering public finances back towards the Maastricht criteria.

Not that his departure is any surprise. His role as a technician risked being compromised, and he had let it be known he was anyway amious to get back to IMI. And there was the matter of that meagre ministerial stipend. Masera will find IMI much

altered, with the treasury no longer a shareholder, and three big banks, San Paolo di Torino, Cariplo and Monte dei Paschi, as core partners jockying for power. Masera can look forward to mediating in that. He will also

have to declare his hand with respect to IMT's prominent position in the flotation of Silvio Berlusconi's TV interests.

Out of the woods? ■ As senior bods from Goldman Sachs gather this weekend for their annual meeting in the leafy surroundings of the Doral Arrowwood conference centre outside Manhattan, the thorny issue of the possible flotation of their 127-year-old partnership will doubtless more or less dominate proceedings. Should debate lead to acrimony, and the partners' renowned united front crack; then Arrowwood's Project Excel programme, a "supervised, adventure-based programme to

But before Wall Street's stuffiest shrug off their braces and rush into the woods to attack a "challenging rope course", they might like to avail themselves of another of the centre's varied facilities, Each guest room apparently boasts a study area with a large desk, a dictionary and a thesaurus - for the provision of endless ways in which to say no?

build team spirit and confidence",

will be just the thing.

Euro-yawn ■ Yet another big name drops out of next week's European Commission gala conference in

Brussels to sell the idea of a single currency to the European public. Cees Mass, director of ING, the Dutch insurance and banking group, and an expert on the transition to a single currency, has cancelled because be is travelling

on business. The Dutch banker's last-minute withdrawal follows a lukewarm German response. Helmut Schmidt. former German chancellor and co-founder of the European Monetary System, declined an invitation. Karl Otto Pohl, former Bundesbank president, accepted only to withdraw. The Bundesbank, the big sceptic on Emu, is likely to be represented – but only by Peter Schmidhuber, a former EU commissioner.

The eleventh hour cancellations are a hlow to Yves-Thibault de Silguy, the EU commissioner who dreamt up the idea of the conference - a brainstorming session-cum-media extravaganza stretching over three days.

But in setting up an accompanying exhibition devoted to how Europeans must learn to love tha single currency, de Silguy would seem to have hit on a reasonably pertinent theme - if only there was anyone who mattered to look at it.

Learning by doing Bullish news for aspiring car thieves. There's a video out in Belgium detailing how to

overpower anti-theft immobilisers in 80 seconds.

According to the German magazine Stern, publication of the video itself is a bit on the shady side too. Intended for internal consumption only at two Belgian car insurance companies, it has found its way on to the black market, with copies changing

hands at anything up to \$320. A Belgian insurance expert consulted by Stern reckons that it has been leaked, with the aim of harming sundry competitors who offer big discounts for cars fitted with immobilisers. But Observer suspects that its educational value to the criminal community rather outweighs its capacity to damage competing insurance salesmen.

Pure bull

Egg-headed analysts who pour over traditional corporate data are nervous about the US stock market's prospects this year.

Unlike members of the Super Bowl school of stock pickers, who hold that the market is sure to rise if a team from the old National Pootball League wins the national championship. Victory for a team from the old American Football League indicates the imminent emergence of bears. Both teams in this year's Super Bowl - the Dallas Cowboys and the Pittsburgh Steelers - happen to be old NFL teams. This investment husiness is just such a doddle.

"Financial Time

100 years ago Easier to fall than to climb

These are indeed exciting times for the City, the experience of the past sixteen months presenting a startling contrast to the four years of stagnation, both on the Stock Exchange and in commerce, that followed the Baring crisis. Since the autumn of 1894 there has been oo lack of sensational movement, but the fat and the lean have oot beeo evenly distributed. It has been a case of a long boom and a brief crash, the latter undoing in three months most of what had been achieved in the previous twelve months of arduous but joyful labour; the record of this winter having afforded an eloquent illustration that is sufficiently elementary but is yet ignored by the average speculator, namely that it is much easier to fall downhill than to climb up.

50 years ago Holland blames U.S.

Amsterdam: The Dutch Government officially declares that it holds the U.S. responsible for the almost complete stagnation of U.S. export trade to Holland in view of that country's credit policy and the impediments raised by it against defreezing Dutch dollar assets in the U.S. The defreezing talks have been hampered by the U.S. requiring a security against German hidden assets.



FINANCIAL TIMES

Wednesday January 17 1996

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US carmakers fear flood of airbag litigation | Indonesia's

Supreme Court upholds safety challenge to Ford

Motor Industry Correspondent

Carmakers selling vehicles in the US could face one of their biggest safety challenges after the Supreme Court in Washington yesterday upheld a case against the Ford motor company.

The court denied an appeal by Ford against a state ruling which would allow motorists to sue carmakers for failing to fit airbags. "The acto industry views this

as a very important issue", said Mr Dean McGrath, an attorney with the American Automobile Manufacturers' Association.
"We're obviously disappointed by the decision."

Ford's appeal had been supported by the association and the trade body representing manufac-turers of imported vehicles. Both groups fear the Supreme Court's decision will open the way to a rusb of legal action by

plaintiffs against carmakers which have not installed airbags in their vehicles The Supreme Court's move fol-

lowed a ruling last September by the state supreme court in New Hampshire allowing the relatives of Ms Rebecca Anne Tebbets to sue Ford for not fitting a driver's side airbag in her 1988 Ford

Ms Tebbets died after an accident in 1991, when ber car crashed into a tree after swerving off the road. Although wearing a seat belt, she died after hitting ber bead against the steering

While the plaintiffs claimed Ms Tebbets would have survived the accident had her car been fitted with an airbag, Ford argued the car had been built three years before airbags became mandatory and at a time when the company only had to equip 25 per cent of its 1988 model-year cars with some form of passive restraint, Although a New Hampshire lower court dismissed the case, the state's supreme court said the case could be heard, in spite of Ford's argument that federal safety legislation took precedence over state claims.

Lawyers for plaintiffs in similar cases against carmakers in other states have been eagerly awaiting the Supreme Court's decision. Last month, the state supreme court in Indiana followed New Hampshire's example and said a similar case could go through.

Lawyers for the motor industry bave called on the Supreme Court to review the situation, which has wider implications for the precedence of federal over state legislation.

The motor trade associations said a review was urgently needed "to address a question of national importance".

Czech central bank moves to support financial sector

By Vincent Boland in Prague

The Czech Republic's central bank yesterday moved to restore confidence in the country's banking sector by appointing an administrator to Ekoagrobanka. a small privately owned regional

The Czech National Bank said it would also seek a consolidation of other small institutions to address a growing bad debt prob-lem and would order all banks to provide more financial information to customers.

With the government facing a general election in early June, the CNB had faced political pressure to prevent a repeat of last week's queues of anxious customers withdrawing deposits from Ekoagrobanka following reports that the CNB was poised to take

The rescue of Ekoagrobanka involves slashing Its share capital from Kc600m (\$22.3m) to

shareholder base. It is to receive a capital injection of Kč500m from the Consolidation Bank, a state-owned institution created in 1990 to assume the bad debts of

bridging loan of Kcibn to enable Ekoagrobanka to reopen. The central bank said the aim of the administration was to "restore the bank's financial balance and allow its return to operation as soon as possible".

This is the first time a Czech bank has been placed in administration with a view to reopening it quickly. Other banks in similar difficulty bave been closed or taken over by bigger institutions.

Mr Josef Tosovsky, CNB gover-nor, said Ekoagrobanka should reopen its branches by Friday. Deposit insurance would guatantee the bank's 150,000 personal account holders up to a maximum of Kc100,000 each. Mr Tosovsky said that all

banks would be told to provide more information to customers on their ownership and business activities, including making annual accounts and auditors' reports available. He also warned the old centralised banking systhat sharebolders at banks that ran into trouble had to expect to The CNB is also to provide a

bear losses incurred. Three-quarters of all domestically owned Czecb banks have share capital of under Kelbn. although they bold only about 12 per cent of all deposits.

Mr Tosovsky declined to say how many needed assistance, but be said between 5 and 8 per cent of the entire banking sector faced potential problems.

The main cause of the difficulties is lack of lending experience and loans advanced to shareholders who are unable to repay. Banking analysts say this has been exacerbated by failure to provide adequate reserves to offset bad loans because banks do not want to report the annual

Sony to boost role in multimedia markets In addition, the audiovisual products division will be split erates' activities.

into the Display Company, the Home AV Company and the Personal AV Company. The move bighlights the importance of tionate wealth. video displays in multimedia

The changes, which reflect the be reported to the public.

wealthiest companies help poor

president, companies with an esia, although not covered by the decree, have also been asked to

The foundation, headed by the president, will implement a pov-erty alleviation scheme which ministers say will involve collecting about Rp1,150bn in order to grant 15m poor families in Indonesia a low interest rate loan of

Fund. He will work with Mr Anthony Salim, who together with his father heads the Salim Group, considered to be Indones-

tion's board include Mr Sudwikatmono, a prominent business-man and cousin of Mr Suharto, and Mr Haryono Suyono, the population minister. According to the official news agency Antara, the foundation's initial paid-up

August last year in which country's economic growth pro-grammes and reduce the gap between rich and poor.

fostering the growth of small businesses. The so-called "Bali Declaration" came at a time when there was talk in govern-ment of issuing new competition rules aimed at curbing conglom-Most of Indonesia's conglomer

managed in a transparent way and the use of the money would

existing InfoCom Products company and the Mobile Electronics

Continued from Page 1

Sony calls "companies". This system was introduced in 1994 to revamp an increasingly bloated and bureaucratic corporate structure and to make the group more market-driven.

Sony then divided itself into eight "companies" with their own presidents. Each was given a degree of autonomy and independence in a move aimed at realising "the regeneration of the Sony spirit." the company said. The reorganisation builds on that corporate structure.

As part of the reorganisation, a new personal and mobile communications company will be cre-

ated through the merger of the InfoCom Products, which has focused on electronics for

vehicles, such as car audio and car navigation systems, is expected to increase sales to Y85bn (\$833.33m) this year, while the Mobile Electronics Company. handling mobile phones, is expected to record sales of Y130bn this

growing importance of IT in the consumer electronics industry,

were welcomed by analysts. "They are finally doing what they needed to do," commented Mr Koichiro Chiwata, industry analyst at Salomon Brothers in Tokyo.

FT WEATHER GUIDE

forced to

Pushing up its spirits prices was probably a sensible gamble by Rémy. It has a French franc-denominated cost base but a high proportion of dollar sales. Moreover, its competitors have all been talking about doing the aimed at reducing poverty.
Under a directive issued by the same. However, the sbort-term impact of its strategy has been a sharp loss of

ia's most powerful conglomerate.

Mr Haryono was qnoted by Antara as saying Mr Suharto had called on Indonesia's tycoons not to be auspicious about the contri-butions they would be asked to make: "That contribution should be looked at as a moral obligation." He said the fund would be

Indonesia's President Suharto has set up a foundation which will manage compulsory donations from Indonesia's wealthiest companies in a move ostensibly

annual after-tax income of more than Rp100m (\$43,000) are obliged to donate 2 per cent of their earnings to the foundation. Foreign companies operating in Indondonate.

Rp100,000 each.
Mr Bambang Trihatmodjo. Mr
Suharto's second son, will be
treasurer of the foundation, known as Yayasan Dana Sejahtera or Autonomous Prosperity

Other members on the founda-

capital is Rp250m. The foundation was born out of a declaration made by Indonesla's largest conglomerates in tycoons pledged to support the

However, compulsory donations were not what leaders of the country's conglomerates which control a large proportion of all private business in Indonlaration.

The idea had been that they would belp alleviate poverty by

ates are controlled by ethnic Chinese, a minority which has long been resented for its dispropor-

Cointreau says more about the company than the spirits iodustry. Clearly, life is tough for all small IIS aerospace spirits companies, given high distribu-tion costs and weak markets in Europe and the US. But Rémy also has

T-SE Eurotrack 200:

The profits collapse at Rémy

to live with a strong currency, and a

strained balance sheet. The combina-

market share, particularly in China, where Remy Martin prices were increased by 10 per cent. This has

exacerbated Rémy's core weakness:

the fact that it is competing with the industry giants through its own inter-

national distribution network, but

without the same product range or

At least Remy has started to tackle its debt. The exercising of convertible bonds and the sale of Picon will bring

in FFribn (\$200m) and a further

FFribn of disposals is promised. But the company remains substantially undercapitalised by comparison with its international ambitions, and it has

ruled out rights issues at current lev-

els. Consequently, the most likely out-

come is either a takeover - if the

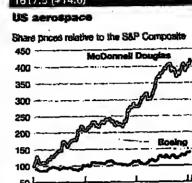
Heriard Debreuil family is prepared to

surrender control - or a deal to share Rémy's distribution costs, But it is still looks too early to buy the shares.

Boeing/McDonnell

cal mass in both fields.

tion is proving disastrous.



THE LEX COLUMN

been blocked by the desire of McDonnell executives for a seat at the top table, its shareholders might get upset. McDonnell's recent strong performance will be difficult to maintain. and a better chance to sell may not appear. Boeing at least has other options. It could sell its defence business, though this would mean sacrificing the benefits of passing defence technology on to the civil side of the

Ultimately, competitive pressure, as shrinkage of the defence industry forces consolidation, may drive both parties back to the table, In the meantime. European competitors should take advantage of any brief respite to set about their own overdue rationalls-

UK economy

The logic of a tie-up between Boeing The duo which controls Britain's and McDonnell Douglas is not dimin-isbed by the apparent collapse of talks monetary policy - Mr Kenneth Clarke and Mr Eddie George - is heading into a danger zone. Conveniently for the between the two parties. Boeing may have the lion's share of the civil aviachancellor, the full impact of any further interest rate cuts on underlying tion market, but its defence business is too small to compete against the inflation would probably not be felt industry's megaliths, particularly after until after the next election. Politically, the temptation to cut rates the current spate of rationalisation. The long-term viability of McDonnell elther following today's monetary meeting, or more likely next month -Douglas's civil aviation operation is must therefore be considerable. doubtful, and its profitable defence

Numerous excuses are to hand. The economy has been slowing, and underlying inflation is widely expected to business faces growing competition. Even if McDonnell's civil side had to be sold off to resolve anti-trust difficulties, a merger would have given critifall below the government's 2.5 per cent target during this year. In this This compelling logic may persuade situation, the risk is that the chanceltraditionally conservative Boeing that lor's excessively optimistic 3 per cent growth forecast comes to be seen as a it is worth paying a slightly inflated target. Pushing the economy to meet premium, if necessary even through a

Dangerous cocktail tax cuts which will take effect in April, looks a high risk strategy. Deli i

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Rate cuts would feed through most sharply into consumer spending. But consumer spending is already recovering: Britain's high streets have had a good Christmas. The real worry surrounds exports, especially to the trotsbled economies of continental Europe. This is not a problem which interest

rate cuts would solve. Mr Clarke has so far refused to act as the political chancellor be was initially seen as. And Mr George is unlikely to sanction dramatic rate. cuts. The biggest risk is a drip-drip series of small cuts, each in response to the latest bit of good inflation news. It is a temptation which should be

British Gas

Nothing seems to go right for Brit-ish Gas. This time, the gas regulator has made clear she will not take the company's massive contract problems into account in her two forthcoming price reviews. This is fair, but it is a heavy blow for optimists who hoped that, given all BG's other problems, the regulator would feel obliged to be

The decision matters because the bigger of the two reviews goes to the heart of BG's business - its cash-cow, TransCo. The regulator is worried that TransCo's investment spending is well below its depreclation charge, allowing it to generate massive amounts of cash despite a tough profit cap. If the regulator changes the rules on this, it could knock hundreds of millions off BG's cashflow, Meanwhile, the separate review of BG's charges to consumers could have a nasty sting in the tail, if the regulator were to conclude that she should set prices in line with the current contract price of gas - around 25 per cent below what BG actually is paying. All this is hard to reconcile with the

recent bounce in BG's share price. The market has been comforted by talk of bids and suggestions that BG might be saved by a levy ultimately feeding into higher prices for consumers. The lat-ter looks implausible, facing an election, the government is hardly likely to force consumers to pay over the odds to bail out one of Britain's least popular companies. Without a more convincing solution, it is difficult to justify the current share price.

Additional Lex comment on Scottish

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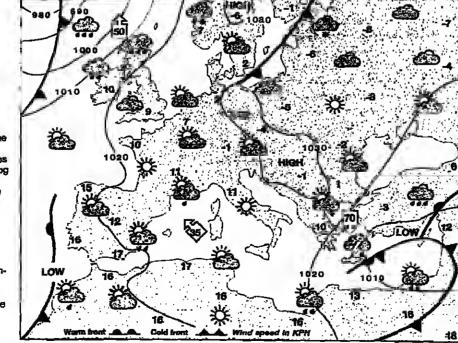
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Europe today High pressure will bring calm conditions to

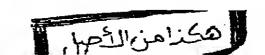
most parts of Scandinavia and Russia. Cloud will linger over these regions, although sunny conditions will prevail in central Sweden Finland and northern Russia will have light snow. It will be sunny, but frosty from Poland to Romania and towards the Ukraine. High pressure will also bring settled, but mostly cloudy conditions to the low countries and across to the Balkans. Further south, gale force winds from the north will blow across the Aegean Sea, resulting in rain in Istanbul, the south coast of Turkey and Crete. Italy, the Alps and France will have sunny spells, although fog will develop in soma regions later in the day. Portugal will be bright and sunny, while Spain will be cloudy with showers near the coas

Five-day forecast

Showers are expected throughout the British Isles and in Portugal on Friday, spreading to central parts of the Mediterranean. High pressure will build over Scandinavia and northwest Russia. The resulting easterly flow will direct cooler air towards western Europe. Snow will fall in the Norwegian mountains. The Alps will remain dry.



TODAY'S TEMPERATURES Caracas Cardiff Casabia Chicago Cologo Dakar Dallos Delhi Dubei Dubei Dubei fair rain cloudy sun cloudy fair cloudy for fair rain rain cloudy fair rain cloudy fair rain cloudy fair rain cloudy fair rain cloudy fair rain cloudy fair rain cloudy fair cloudy fair rain cloudy fair cloudy fair rain cloudy fair cloudy cloudy fair cloud Frankfurt Geneva Görraltar Glasgow Harburg Hetsark Honokulu Istarabul Jakorta Jersey Karacht Kuwatt Lina Langele Las Palms Lina Lindon London Abu Dhabi Accra Algiera Amsterder Athens Attenta B. Alres B.ham Bangkok Barcelona cloudy shower fair sun shower tair cloudy cloudy cloudy fair fair fair fair cloudy fair fair Strasbour Sydney Tangler Tall Aviv Tokyo Toronto Vancouve Venice Vienna Warasw Washingtor Wallingtor Winnipeg Zurich Moscow Munich Neirobi Napies Nassau New York Nice ' Nicesia Oslo Paris Perth Prague We wish you a pleasant flight. Lufthansa



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IN BRIEF

Dell warns as slide in shares continues

Shares in Dell Computer continued to slide after dropping more than 24 per cent in the previous two sessions. The US PC maker became the focus of investor fears of a PC market slowdown after it warned of lower profit margins. Page 18

Repsol abandons plastics merger plan Repsol, the Spanish oil and gas company, said a plan to merge its plastics businesses with Austria's OMV had been abandoned. The deal's collapse comes days after the Spanish cabinet approved the sale of up to 11 per cent of the company. Page 16

Scros upbeat on Japanese stocks The Japanese stock market received the endorsement of one of the world's most prominent investors when Mr George Soros said Japanese equities represented the best prospects in 1996. Page 17

UK brewer to cut 1,600 jobs Scottish & Newcastle, largest UK brewer, is to shed 1,600 jobs by closing two breweries, 13 distribution sites and other units to integrate Courage, the brewer it bought for £443m (\$682m). Page 19

Analysts see volatile year for metals Metals prices are expected to be more volatile this year, according to the Financial Times's survey of metals price forecasts. Page 21

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Arancia	18	Kerstadt
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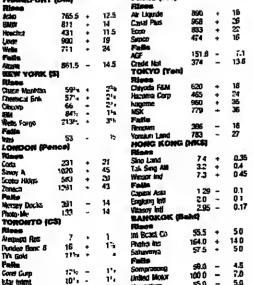
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Chief price changes yesterday



THE FINANCIAL TIMES LIMITED 1996

Wednesday January 17 1996

0171 405 8411 SE-Banken fined for breaking bourse rules

By Hugh Carnegy in Stockholm

The Stockholm stock exchange yesterday imposed a SKr2m (\$300,000) fine on Skandinaviska Enskilda Banken. one of Sweden's leading commercial banks, for breaking bourse rules in its bandling of information about beavy credit losses which caused an unex-pected slump in its profits in 1995.

The stock exchange's disciplinary committee strongly criticised SE-Banken, the financial flagship of the Wallenberg empire, for issuing a press release last January which asserted that

losses linked to Luxonen, a failed financial investment group, had been covered by SArlbn provisions made in 1994. In subsequent months, SE-Banken was

forced to make further provisions totalling SKr29bn to cover Luxonen losses, resulting in a 51 per cent fall in the bank's operating profits in the first nine months to SKr1.4bn and prompting strong criticism from investors. The bank's shares had to be suspended briefly in August when its unheralded announcement of a SKr2.2bn tumble in first-half profits caused chaos on the

The bourse accepted that the January press release was issued in good faith, but it said the categorical way it was worded, suggesting that measures taken at the time had strengthened the bank's position regarding Luxonen, "were not well grounded".

It said it was clear that Mr Björn Svedberg, SE-Banken's chief executive, and his senior managers were not aware at the time of the special construction of swap contracts held by Luxonen which were to cause much of the losses.

The bourse said the information failure amounted to a breach of SE.

derivatives.

It is correct that top management and the board were not informed about

officers did not know in January that the swap contracts held by Luxonen - a company founded by a former senior SE-Banken executive - were more volatile than regular swaps because of their high exposure to currency fluctuations. But it denied top management had failed to understand the operation of such

Banken's listing agreement and it fined the bank two years' listing fees, or SKr2.14m.

The bank acknowledged that senior the very special construction of those very special construction of t ent from saying they did not understand

the contracts. He said the bank's credit control system had been thoroughly reviewed in the light of the Luxonen affair. But he said the affair was the "last hangover" of the series of credit losses that bit Swedish banks in the early 1990s and a new credit policy system put in place since the bank crisis was "functioning

Watchdog refuses to ease pressure on British Gas

By Robert Corzine in London

Ofgas, the UK gas industry regulator, is to Ignore growing financial pressures on British Gas from disputed long-term gas contracts when It sets new consumer and transportation price controls later this year.

In a move that will disappoint the company, Ms Clare Spottis-woode, the Ofgas director-general, has dismissed speculation that she might loosen the regulatory regime in order to ease the company's financial plight. She also said in an interview

that one of the main issues being debated was whether to cut from April 1997 the price of gas which British Gas can pass on to 19m domestic consumers. A decision to do so could slash tens of millions of pounds off the compa-ny's profits just before full domestic competition in 1998.

At present British Gas can pass through virtually the full amount of its weighted average cost of gas of around 19p-20p a therm - considerably higher than the long-term industry average of about 15p a therm. Ofgas must decide if such costs are justified, or if the acceptable level should be lowered.

British Gas says its high cost base is the result of being locked into £40hn (\$62hn) worth of

So the British

Labour party

expensive contracts, many signed when it was a monopoly. Last year, British Gas paid £520m to North Sea producers for gas for which it no longer had customers. This was because of a sharp drop in its share of the markets already open to competition. It is believed the

cumulative total will peak at

around £1.5bn in 1998-99, when s

new pipeline to continental

Europe should allow for exports to ease the surplus, Ms Spottiswoode says the company can ask to have price con-trols reopened if it finds itself in financial difficulties as a result

of the contracts problem. British Gas'a competitors and North Sea gas producers blame the company for much of the impasse over contracts. They say British Gas continued to buy high-priced gas long after the government said the market would open to full competition. Although Ofgas must ensure

the "financial viability" of Brit-ish Gas, Ms Spottiswoode inter-prets this as she "must ensure a reasonably efficient company and a fair return to shareholders". It does not mean "British Gas should be kept alive forever if it made very bad management mistakes in the past". Lex, Page 12: Not in control, Page

Earnings for 1995 confirm return to health for US's largest bank Citicorp increases dividend by 50%

By Richard Waters in New York

Citicorp yesterday capped its return to financial bealth with a 50 per cent increase in the dividends it pays to shareholders and lifted the amount of its own stock it plans to repurchase by \$1.5bn. The move cams as the US

banking group, which only four years ago teetered on the edge of financial collapse, reported 1995 earnings which confirm its position as one of the world's most profitable banks.

The US'a largest bank also announced plans to convert the preference shares it issued at the depth of its financial crisis in the early 1990s into \$4bn-worth of ordinary shares. The stock was issned to Prince Alwaleed Bin Talal, the Saudi prince who came to Citicorp's rescue, as well as

Two other New York-based banks. Chemical Banking and Chase Manhattan, also posted strong earnings gains on what is before their merger. The results came on a day when a number of big US commercial banks reported earnings. Mr John Reed, Citicorp's chair-

Citicorn 1990 91 92 . . 93

man, said 1995 marked the last

year of the bank's three-year plan to rebuild its balance sheet. Its tier-one capital ratio of 8.4 per cent put it on a par with the US's strongest banks.

Mr Reed surprised the stock market last week with a series of nigh-level appointments which the bank says are designed to ease the transition to a new, younger management team. The moves include the retirement later this year of Mr Pei Chia, the head of consumer banking who had been instrumental in restoring the bank's profits.

Citicorp's after-tax profits in 1995 rose by only 3 per cent, to nearly \$3.5bn. However, its figures in 1994 had been flattered by tax losses carried forward from the early 1990s: its pre-tax earn-\$5.6bn.

The bank, which until a year ago had been restricted by US regulators from paying a divi-dend to rebuild its financial strength, announced a quarterly payment of 45 cents a share, up from 30 cents.

1290

It also lifted its share repurchase programme by \$1.5bn, tak-ing the total to \$4.5bn. The bank said it had bought back \$1.5bn of shares since announcing plans last summer to buy back up to \$3bn of shares.

Mr Tom Jones, the bank's chief financial officer, said the latest earnings did not represent a cyclical high point for the bank. Instead, it faced the prospect of continued "excellent growth", thanks to its position in consumer lending businesses around the world and in corporate banking in the emerging markets, he said.

. In another sign that it had put its traumas of the early-1990s recorded a profit for the first time on its portfolio of commercial property in North America. While benefiting from strong

growth in the emerging markets

corp's latest results also reflected an increase in bad debts from consumer lending common to many US banks, particularly from credit card lending.

The bank registered a loss rate of 3.77 per cent on its US credit card lending, up from 3.49 per cent the year before. "The cycle has turned - clearly, consumer credit costs are going up," said

He added, though, that the bad debt experience remained "very low by historic standards", and that consumer loans did not carry the sort of risks seen in Latin American or US property

lending in recent years. Citicorp reported after tax profits.of \$905m, or-\$1.72 a share, for the final three mouths of 1995. lower than a year before, despite a 17 per cent increase in pre-tax earnings, due to \$285m of tax benefits in the 1994 quarter. US bank results, Page 18

Barry Riley

Shareholders gain an edge over stakeholders

leader Tony Blair opinion poll favourite become prime minister by spring 1997 - has decided

22 32

concept of a stakeholder economy as an idea to appeal to the disillusioned electorate. The concept is rather vague, but it is intended as a contrast to the Anglo-American shareholder capitalism which bas become more extreme and politically controversial. Recent years have been notable for restructuring, unacceptable unemployment lev-

els, widening of income differentials and sometimes provocative promotion of shareholder value. However, it is easy for the debate about stakeholding to become confused. At the simplest level, a company heedless of the interests of workers, suppliers, customers or creditors will not serve shareholders very well either, except perhaps as a crude

Yet admirers of stakeholder concepts have argued that distancing corporate priorities from immediate stock market pres-sures will bring considerable long-term benefits in terms of investment and growth. Stable governance will be rewarded. Ironically, continental banks, for example, rooted firmly in stakeholder societies, now own a number of London's leading short-termist corporate finance and moment well. The two biggest stakeholder economies, Japan and Germany, are in trouble, and it is interesting to explore why. When economies are growing, a less confrontational relationship between capital and labour arguably permits faster growth with low inflation, and reduces

to ruinous levels while manufacturers' profits collapsed.

Unemployment is higher in the stakeholder economies

will periodically overheat, leading to cyclical disruption. But what happens when inter-national demand slows down? In the extreme case, a stakeholder economy will continue to churn out goods to maintain employment, while a shareholder econ-

the risk that domestic demand

restructure to protect profits.

Mr Blair has not chosen his Japan was largely maintained and the trade surplus rose sharply, helping to push the yen

> In Germany, the picture has been less clear cut, and unemployment has risen to levels inconsistent with strict stakebolder theories, but the formida-

omy will quickly cut back and

For extreme case read Japan, where two years ago US investors were buying equities on the mistaken view that corporate action would rapidly be taken to restore profits, as it had been in the US during and after the 1991 recession. In fact, output in

ble productive power of the economy has contributed to renewed overvaluation of the D-Mark.

A worse kind of stakeholder crisis is facing France, with its widespread state ownership and subsidies, posing a potentially disastrous choice between intolerable taxes and a collapse of the public finances. The picture of relatively strong fixed invest-ment in the face of shaky profits and a substantial output gap is typical of stakeholder economics. In shareholder economies we find a significantly different pattern, notably in the persistent trade deficits of about 2 per cent

of GDP which both the US and

the UK have been running for

The British Treasury has commented somewhat sourly on the way in which British manufacturers have taken advantage of sterling's devaluation since 1992 to raise their profit margins rather than to increase volumes This is the opposite of the stakebolder approach, which is to maintain or increase market sbare almost regardless of short-term profitability. Shareholders have benefited in

the US and UK during the 1990s. Stock market indices in those countries, measured in dollars, have shown average annual growth of 10 per cent and 6% per cent respectively. Japan has been slightly negative, and Germany and France have recorded 5 per cent or less. The curious point which Mr

Blair should consider is that unemployment is higher in the stakeholder economies (except Japan, where redundancy is often hidden). And although output in these countries is being austained, hollowing out appears to he proceeding as new factories are sited in foreign locations which are chesper and are free from domestic stakebolder responsibilities. So this does not seem to be an

ideal moment to attempt a transfer to the stakeholder camp, but a Labour government returned to power after 17 or 18 years may make a now-or-never judgment. Buy UK bonds but sell equities would seem to be the appropriate

Rémy Cointreau to sell non-core units after FFr40m loss

By Roderick Oram, Consumer Industries Editor

Rémy Cointreau, the French drinks group, said yesterday it was negotiating to sell some peripheral businesses after discosing disappointing results.

It slumped to an unexpected interim pre-tax loss of PFr38.9m (\$7.84m) after price rises drove away some customers, particularly cognac drinkers in China. The setback deepened the group's financial problems and beightened speculation that it could lose its independence, despite famous brands, such as Krug Champagne and Remy Mar-

It said cognac sales should recover after rivals matched its price rises, but it was negotiating to sell some peripheral businesses to help lighten its debts by about FFr1bn. Debt was at FFr8.7bn last March but has been cut by FFribn through conversion of a bond issue and an asset transfer. In contrast, share-holder funds are only FF2.5bu. Rémy declined to elaborate on the disposals but analysts said

its 26 per cent stake in Macallan-Glenlivet, maker of two single malt Scotch whiskies, was its most attractive non-core asset. It could be worth FFr500m. This is a fire sale and makes

you wonder how long Rémy will remain independent," one Lon-don analyst said. The company is majority controlled by the Hériard-Dubreuil family. A takeover bid would be worth at least £1.5bn (\$2.3bn), the analyst suggested. The shares fell 90 centimes to FFr150.10 in Paris.

Operating profits for the six months to September 30 fell to FFr216.4m from FFr394.1m, reflecting the setback in cognac sales. Financial charges of FFr255.3m, against FFr310.8m, left Rémy with a pre-tax loss of FFr38.9m sgainst a profit of FFr83.2m. But it reported a net profit of FFr222.4m after an extraordinary gain of FFr256.7m from the sale of one brand's marketing rights. With about 40 per cent of sales

linked to the weakening US dol-lar. Rémy had pushed up prices last summer 3-15 per cent to try to rebuild French franc profits. Rises of 8-15 per cent in China were not matched by rivals. Group cognac sales fell 16 per cent (or 10 per cent at constant exchange rates) to FFrL66bn in the nine months to December.

Champagns was up 31.3 per cent at constant rates to FFr753m and group sales totalled FFr5.01bn for the nine

Lex, Page 12; Observer, Page 11

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Take or pay contracts are a time-bomb ticking under British Gas. Its suppliers say a deal's a deal. FT writers outline the arguments

A question of who should bear the pain

The UK gas market is entering a new era. In two months' time, 500,000 households in the south-west of England should be able to choose who will supply their gas. By 1998, all of Britain's estimated 19m gas supplied households will be able to do the same, writes Peggy Hollinger

Competition is expected to bring lower prices and immense opportunities for those prepared to enter the rapidly changing market. But, for the country's oldest and largest supplier, competition could mean disaster.

British Gas claims that it has been caught at a debilitating disadvantage in the rush to liberalise the market. It argues that it has been locked into high-priced, "take-or-pay" contracts - dating from its days as a state-run monopoly and estimated to be worth more than £40bn (\$61.6bn) over the next 25 years - which put it at a competitive disadvantage at a

So it is calling on its North Sea suppliers and the government to bail it out of the difficulties by entering into one of the

largest contract renegotiations ever undertaken in the UK.

The demand has sparked an increasingly acrimonious debate over who should bear the pain of renegotiation: BG. producers, the government, consumers, or

At the heart of the problem is BG's role as both producer and supplier. It is one of its own biggest suppliers from fields which carry among the highest priced contracts. Yet producers, too, have enjoyed the benefits of lucrative and secure contracts

to the market's new entrants, including, like BG, to their own subsidiaries. They have also accelerated the development of fields in anticipation of the competitive market, at a time when oversupply was

already depressing prices. Yet despite all the posturing, which has led to a stalemate between BG and producers, eventually a compromise will have to be reached if the transition to a competitive market is to succeed With BG soon set to transfer all of its

contracts into a separate company, and uncertainty over whether the parent will give a corporate guarantee, the fear must be that the ntility will renege on its contracts. This could cause upheaval in the gas market and throw the government's plans for liberalisation off-course. Doubters need only look to the US, where wholesalers' refusal to pay for circumstances left prices low, consumers

reluctant to buy for many years and

II THE BRITISH GAS CASE - By Robert Corzine

resulted in a string of bankruptcles.

The process has been lent impetus by BG's appointment of Mr Kenneth Gardener, a director of Charterhan Bank, as a special negotiator.

The problem for outsiders has been to determine just where the middle ground is. The debate has been coloured by emotional attacks and counter-attacks from all parties. In an attempt to clarify the issues, the Financial Times has spoke to BG, a range of North Sea producers and the government. What follows is an exposition of the arguments.

THE PRODUCERS CASE - By Peggy Hollinger

Why should we renegotiate now tables are turned?

reeling off horror stories about the strong-arm tactics used by British Gas in the past to nego-tiate long-term contracts. Tales abound of agreements which failed hours before signing, simply because the only buyer in town had decided to put a last squeeze on the producer.
It is impossible to escape the

emotional impact which BG's demands for renegotiation of gas contracts has had on pro-

"When we were selling them gas at 4p and the average price was 20p, we asked them to renegotiate and they said a deal was a deal," said one of BG's bigger suppliers. Another producer described BG's negotiating philosopby as "Why screw yourself when you can screw someone else?"

So it is not surprising that the initial reaction to a review in the light of oversupply and falling prices has been hostile. Producers cite their duty to shareholders to protect the value of the contracts. They also see no legal or commercial reason why they should renegotiate contracts freely signed and approved by lawyers on both sides. Indeed, they say, renegotiation with BG could lead to pressure from other customers to reopen their con-

Almost unanimously, producers cite British Gas's role in creating the very problem it now faces. For example, the contract with its own Morecambe field is one of the highest priced agreements at about 24p, and produces at some of the highest volumes.

At least two of BG's bigger producers compare this with their own average price to the utility of between 16p and 17p. Furthermore, producers argue that BG was reluctant to see a truly open market and thus failed to release supplies to competitors. This encouraged them to find supplies in new developments, exacerbat-

ing the oversupply problem. Making matters worse, BG signed a contract on its Armada field in 1994, after Mr Michael Heseltine, the then trade secretary, decided to accelerate the drive to competition. This brought even more gas on to the market at a time when the price was already

According to conspiracy theorists, BG had sought to stifle competition in the industrial market in the early-1990s by buying up reserves. It also decided to produce more gas from Morecambe than originally envisaged for a peak supply field. As BG can recover

much of its cost through the domestic pricing regime, it could afford to sell some Morecambe gas at cheaper prices into the competitive industrial market, contributing to a collapse in the spot price.

Since the spot price covers a relatively small proportion of the overall market, but draws the headlines, the collapse would create the maximum publicity with the minimum damage. Then, the conspiracists argue, BG would appear to be justified in demanding a review of contracts.

Producers reject BG's attempts to use the spot price fall, which affects only about 5 per cent of the overall market, to justify renegotiation. To compare a long-term contract price with that achieved in the oversnpplied spot market is misleading, says one producer. "You cannot apply a distress

British Gas has been accused of strong-arm tactics. Its negotiating philosophy was "Why screw yourself when you someone else?"

price to the average over the whole market," he says. "The average price is not 9p or 10p, it is closer to BG's weighted average cost of gas at about

Producers also argue that they cannot renegotiate contracts while there is so much uncertainty over the shape of the gas market after 1998 - and over how much of the market will still be controlled by BG. "We need to look at how the total market will unfold. If you give me the answer to that, 1 will give you the answer as to

when I will renegotiate," says another producer. The larger producers are also anxions about giving any advantage to an international

competitor. If BG wants to play with the big boys, they say, it will have to play by the same Some fear that allowing

lower prices and leaving BG with control over the reserves will give the UK company an advantage in the European market when the interconnector - a pipeline between the

and running after 1998. "We could find BG in a position to buy market share in

Europe," says one. Producers do not blame BG for everything, however. Many say they understand thet even BG is in the dark about the market post-1998. The govern-ment must shoulder some of the blame, they say, for insisting the domestic market must be liberalised by 1998.

"If you delayed it two years, you would solve all BG's problems," said one. The guarantee of a monopoly in the larger domestic market for a further two years and the interconnector could mop up most of BG's obligations, producers argue.

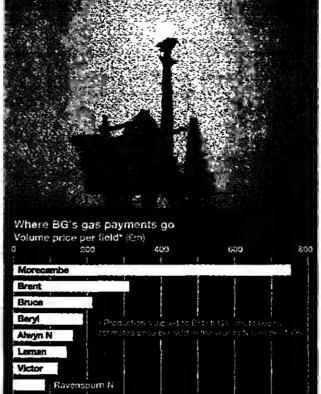
In spite of the initial hostility to a review, many producers also do recognise that it is inevitable. While producers' average costs to BG may not appear disproportionately high, one large supplier acknowledges that charges from his individual fields "sit uncomfortably with the market

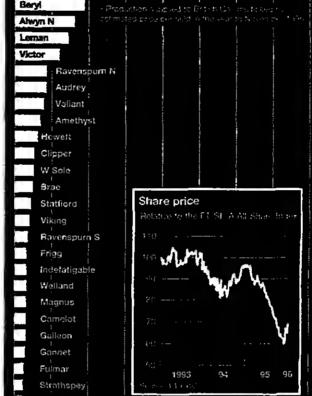
There are also strong industrial reasons which may compel the larger producers to come to the table. Uncertainty over the true level of the gas price (with BG paying at one level and others at another) could unsettle the market, as it did in the US. "Unless we correct this problem in a structured way wa could cause long-term damage to the mar-

ket," says one producer.
Any compromise, however, will have to offer something to both parties. Producers are sceptical that an industry-wide solution can be found. More achievable, they say would be a series of new agreements tai-lored to individual fields, covering volumes and reserves, as

This, of course, would mean complicated negotiations, and BG has neither the time nor the luxury to enter into a debate on all tha contracts", says one producer.

One of the solutions most favoured by producers would be to compel new entrants to the market to take a share of BG's higher priced contracts. Then, some of the others which remain could be renegotiated. It is clear that some gesture will have to be made by the





Sean Ivanhoe/Rob Roy The take or pay gap (bn of dubic seet a day:

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government or BG before pro-ducers are prepared to renego-Impact of lower prices on exploration and production

"We will work with the industry and we will work with the contracts," concludes a large supplier. "But we are not about to make our sharebolders pay for the mistakes of

Why should we pay for leftover from monopoly era?

In its fight to achieve a that it already had more than renegotiation of the "take or pay" contracts, British Gas argues that they are a legacy of the monopoly era and inappropriate to a fiercely competitive market.

BG's share of the commercial and industrial sectors, which account for half of total gas volumes, has fallen from 100 per cent in 1990 to about 35 per cent. Its domestic monopoly will be whittled away from this spring and be fully abolished in 1998, when 19m consumers, each now paying an average of £350 a year to BG, will be able to switch suppliers.

Executives say failure to renegotiate the contracts will put the company at a competitive disadvantage, violating the spirit of government promises that liberalisation would result in a "level playing field" for participants.

It in turn has been accused by other producers of clinging to its monopoly position with a policy of "he who controls gas supplies controls the gas market". This resistance to change, say the critics, lay behind its failure to recognise the impact competition would have on its market share, and thus on its gas supply needs.

BG's justification starts with a reminder that 55 per cent of its supplies are covered by contracts signed before 1986, when it was privatised as a monopoly with a 25-year licence to supply gas to the public.

It says its gas purchasing policy did change in the late-1980s in line with government moves to encourage greater competition. After the 1988 Monopolies and Mergers Commission report on the industry, it bought only half of the gas brought on stream by the offshore industry between that year and 1991. The legal requirement that it must cope with the coldest winter meant it had to be cantious when assessing future gas needs.

seen the speed with which the government intended to open up the market. But shouldn't it have reacted more quickly when the government did show its hand in December 1993 with publication of an ambitious

It says it could not have fore-

A former employee says one BG executive warned col-leagues in the late-1980s that the consequences of moving to full competition would be a

Some City analysis say BG signed a contract to develop its Armada field in 1994 even though the supply arm of the company told Mr Cedric sufficient supplies. BG counters that no one could have predicted the speed

at which three problems would develop: its loss of share in industrial and commercial markets; the resulting build-np of the gas surplus; and the price collapse. Nor could it have foreseen

the unseasonably warm weather that slashed demand, or delays last year to new gasfired power stations. It says it was not alone in

misreading the market. Other companies, including Enron of the US, signed high-priced deals in the UK well after the government's announcement. Ofgas, the industry regulator, maintained competitive restrictions on British Gas last year, even though the company had already lost half of the interruptible market of 3bn therms

Failure to renegotiate contracts will put the company at a competitive disadvantage. and violate promises of a "level playing field"

a year. North Sea gas producers undercut BG by flooding the market with cheap surplus gas from new developments. But where does BG fit into all this as a producer? The contracts on its two, relatively high priced Morecambe fields account for just over a quarter of the £40bn take-or-pay liability. This, admit executives, makes internal renegotiation a must if BG is to convince other

producers to do the same. But what of the accusation that the way it has operated the Morecambe fields has been a prime factor behind the surplus and the price collapse? BG denies that Morecambe gas is being used to drive down

spot prices, while accepting that the fields must play a part in any settlement. It admits that gas deliveries from Morecambe increased in 1989-91 in response to a tighter supply situation. But that was

year to last September, it sold "only small quantities into the

wholesale market, representing

well before the current market conditions materialised. In the

just I per cent of total British sales". It insists: "We are vividly aware of the danger of releasing excessive supplies and driving the market down." Last year South Morecembe

produced at only 40 per cent of its peak rate and North More-cambe at 45 per cent. That compares with a 50 per cent load factor for fields operated by other North Sea producers. The Morecambe fields had their fair share, or if anything more than their fair shere of reduced usage below con-

tracted levels, says BG. A shutdown of Morecambe, as demanded by some producers, would not boost spot prices because there is a gassurplus not contracted to BG,

A shutdown would, in any case, be just as damaging financially to BG as the take or pay problem. Instead of paying £500m to external pro-ducers...the company would have to forego all its revenues from Morecambe and leave idle:

over £2bn of investment." Morecambe is also at the centre of another divisive issue, Some producers claim, that BG's' weighted average price of gas (Wacog) of 19p-20p a therm is inflated because of the high price of Morecambe gas. Lower that price, say producers, and the problem would be solved, albeit with considerable damage to the profits of ." BG's exploration and production division.

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Executives say the high price of Morecambe gas stems in part from government demands at the time of its' development for a high offshore tax take. This could be changed with the approval of

the tax authorities. But executives say they could only wipe a penny off the company's average cost of gas if they cut the Morecambe price to the current average of 19-20p a therm. That would still leave BG with supplies well above the 14p-17p a therm average of most other produc-

ers and competitors. In common with other partic ipants, BG is reluctant to say what concessions it might make. Asset swaps might be one way forward. Some moducers keen to expand downstream might want to buy back some of the gas. Solutions involving the gov-

ernment could include a requirement thet new entrants to the domestic gas market be required to buy some highpriced gas. One levy-based solution could lead to a massive buy-out of the contracts st a discount to their present

II THE GOVERNMENT'S DILEMMA - By Robert Corzine

DTI optimistic 'win-win' solution can be found

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The contracts dispute poses a difficult choice for the government. On the one hand, it is ideologically averse to intervention, with Mr Tim

Eggar, the energy minister, having repeatedly called for a commercial This could be compounded by concern that intervention might be seen as an admission of failure to appreciate the scala of the change it was

unleashing in 1993, with its ambitious scheme to open the domestic gas market to full competition by 1998. The government denies, however, that it helped to create the surplus by bringing forward the opening of this mar-It is also wary of being accused of "re-regulating a fully privatised indus-

try," as one energy consultant puts it. On the other hand, the government may also be worried that a failure to find a way through the impasse could upset its politically sensitive plan to offer 19m households a choice of gas

supplier within two years. And the Department of Trade and Industry believes it is better informed than most industry executives about the gas contracts. Officials say the



Tim Eggar: ideologically averse

problem is "extremely tracta-ble ... not as big as Britisb Gas

claims, but larger than the producers They are optimistic that "win-win" solutions could emerge from contract-



arising for all participants. Those involved should co-operate because it is time the gas supply situation reflected the new market conditions. Some industry observers say the

government's reluctance to intervene reflects fears of a loss of tax revenues. Both the producers and British Gas are likely to demand financial coocessions, including the removal of the £200m or so levy paid by British Gas for gas produced at older fields in the North Sea's southern gas basin, and possible reductions in the petroleum revenue tax collected from most other

wrong to assume that the government "won't make a contribution. If there is a good case, then we'll take a look at it.

Nevertheless, officials say it is

Although there is some questioning

of its power to intervene, a senior government official recently said: We've always had the powers, but we've chosen not to use them. We believe commercial negotiations will produce a better outcome than regula-

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Last week, bowever, the DTI disclosed that it was studying whether a special levy might be imposed on the industry as part of a broader solution. Such a levy would be part of an "insurance policy" if all else failed. It could be used as a "sweetener" to help bring some companies to the negotiating table, according to one

official. Government-imposed levies have been used elsewhere to solve structural problems in the energy sector. One was imposed in Canada as part of its gas industry liberalisation. A levy is also being considered in the Northern Ireland electricity industry to cover the difference between current fuel prices and those of old pre-privatisation contracts. There is a nuclear levy in the UK to create a fund for decommissioning nuclear power sta-

attracted much publicity, the government still wants a commercial solu-tion. It also warns that failure to reach one could have long-term impact on the offshore industry,

A failure of the proposed renegotiation process could "destroy the commercial orientation" which characterises problem-solving in the UK offshore oil and gas industry, says one official.

DTI officials are clearly concerned that the start of the process has gone badly, with emotional reactions hindering progress. "It is unfortunate that producers adopted a generalised position before detailed talks began," says one senior official. They should be more rational."

But the government rejects allegations that by calling for renegotiation it has aligned itself with British Gas. Officials dismiss the charge as "laugh-

BG, says a senior government official, "has not handled this at all cleverly. Their long pregnant pause is not a good policy. British Gas should have begun serious analysis a year ago to find genuine 'win-win' solutions", But while the prospect of a levy has acceptable to both sides.

Possible solutions...

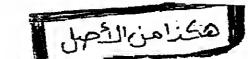
No one solution is likely to win over all parties. More likely is a combination of proposals being mooted by the individual players. BG'e Morecambe field, with its high priced volumes, will inevitably have to play a part in any deal. The following are some of the more popular suggestions.

• First tried in Western Australia. New entrants are required under licence conditions to take a proportion of BG'e high priced contracts. This could force up the industry'e average long-term price and so may limit cuts in consumer prices.

Topgas scheme, first tried in Canada. British Gas borrows billions of pounds to buy out contracts at a discount to net present value. BG repays part of the loan from the proceeds of gas sales and part through a levy on all gas shipped, whether by the utility or its competitors. This cost would eventually be passed through to consumers. This way British Gas, producers and consumers all share the pain. However, any levy to bail out BG would be a controversial political move in the run up

 The petroleum revenue tax solution. The government foregoes PRT on gas covered by BG's contracts. Thus producers would receive the value they had attributed to the contracts; while BG pays the lower tax-free sum. This solution is most popular with bigger producers who would take no pain. However, the government is not likely to relinquish estimated annual revenues of more than £700m.

 Renegotiate contracts. BG's and the government's favoured. solution, which is being resisted by producers. To succeed, renegotiation will have to include incentives for producers. such as lowering gas quality specifications, reductions in contracted volumes in exchange for higher prices later, and perhaps even asset swaps. Renegotiation would still require government action, for example, through tax relief.



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Marion Merrell Dow Inc. General Motors Corporation and Electronic Data Systems Corporation Ameritech International, Inc. and Singapore Telecommunications Limited (in consortium with Tele Danmark A/S) Independent Directors of LIN Broadcasting Corporation Meridian Bancorp, Inc. Rhône-Poulenc Rorer, Inc. Generatech, Inc.

Pater Kiewit Sons', Inc.

BB&T Financial Corporation and Southern National Corporation CBI Industries, Inc. VEBA AG Comcast Corporation TeleCable Corporation

INIC Global Inc. BASF AG

The RTZ Corporation PLC

PTB Pay-TV Beteiligungs GmbH, NetHold B.V. and HRH Prince Alwaleed Bin Talal Bin Abdulaziz Fund American Enterprise Holdings, Inc. Dibreil Brothers, incorporated

Ball Corporation

Sammons Communications, Inc. California Energy Company, Inc. MobileMedia Corporation

Lear Seating Corporation Loral Corporation sammons Communications, Inc.

Natural Gas Clearinghouse Thickel Corporation . . .

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Kingdom of Spain (Ministry of Public Works, Transportation and Environment) Finmeccanica S.p.A. Glaxo ple Republic New York Corporation Byston Scientific Corporation Southern New England 'Telecommunications Corp. William Ziegler, III and the Ziegler Trusts

Alliant Techsystems Inc. Ainalia S.p.A. and Finteena S.p.A. AMP Incorporated Meridian Bancorp, Inc. CareLine, Inc.

Linner Dara Communications Ltd. Harnischfeger Industries, Inc. Frst Mississippi Corporation Generic Therapy, Inc. Bath Iron Works Corporatio National Westminster Bank Plc (through its subsidiary, National Westminster Bancorp) BBA Group PLC Ova Energy Company

Truck Components Inc. FM Industries, Inc. (a subsidiary of Merck AG) Nauonal Westminster Bancorp Inc.

British Petroleum p.l.c. Watermill Ventures, Ltd.

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Energy Corporation of America Mitek Surgical Products Inc. Alco Standard Corporation Microtec Research, Inc. Drava Corporation Orve Energy Company

Block Drug Co., Inc. Ligand Pharmaceuticals Incorporated International Jensen Incorporated Lehman Brothers Holdings Inc.

Cardiovascular Imaging Systems Inc. Banco Alcala, S.A.

CCL Industries Inc.

Transaction Consideration of potential spin-off of Electronic Data Systems \$25,000,000,000 Recapitalization involving the creation and distribution of U SWEST Communications Group and Media Group stocks Recapitalization involving the creation and issuance of Liberty Media Group Series "A" and "B" Stock Staged merger of domestic cellular subsidiary with domestic cellular subsidiary of Air Touch Communications Reorganization resulting in the proposed spin-off of its Health-Care Cost Management Company (Pending) Acquired by Hoechst AG Contribution of 173 million shares of GM Class E Common Stock to the GM Hourly-Rate Employees Pension Fund Purchase of a 50% less one share interest in Belgacom S.A. (Pending) Sale of remaining public shares of LIN Broadcasting Corporation to AT&T Corporation Acquired by CoreStates Financial Corp (Pending) Acquisition of Fisons PLC Agreement with Roche Holdings to extend for four years its option to buy the remaining outstanding shares of Genentech, Inc.
Spin-off of MFS Communications Company, Inc. to its Class D shareholders Merger of equals Acquired by Praxair, Inc. Sale of 45% stake in VEBACOM GmbH to Cable & Wireless Plc . Acquisition of The E.W. Scripps Company cable properties (Pending) Merger of TeleCable Corporation into TCI Communications, Inc., a wholly owned subsidiary of Tele-Communications, Inc. Common stock merger with The Vigoro Corporation (Pending) Acquisition of the Boots Pharmaceuticals division of The Boots Company PLC Acquisition of minority interest in and formation of exploration and development joint venture with Freeport-McMoRan Copper & Gold Inc. Acquisition of up to 25% of Mediaset S.p.A. Incorporated acquire Ball Glass Corporation and the Foster-Forbes Glass Division of Pechiney S.A.

Sale of Source One Mortgage Services Corporation [Pending) Merger of equals with Mank-Austin, Inc. to form DiMon Creation of a joint venture with Compagnie de Saint-Gobain S.A. to

Sale of certain cable television systems to Marcus Cable Company, L.P. Acquisition of Magma Power Company Acquisition of BellSouth Corp.'s MobileComm pagiog subsidiary and its two-way nationwide narrowband Personal Communications Services License

Acquisition of Automotive Industries Holdings, Inc. Acquisition of the Defense Systems business of Unisys Corporation. Sale of certain cable systems to Lenfest Communications, Inc. and TKR Coble, Inc. 1Pending1 Merger with Trident NGL Holding, Inc. Acquisition of Howmet Corporation and the Cercast Group by Thiokol.

Corporation and The Carlyle Group from Pechincy International, S.A. Acquired by American Brands, Inc. (Pending) Exchange of 5.61% interest in Time Warner Entertainment Company, P. for 7.0 million shares of Series I Convertible Preferred Stock of Time Warner Inc. and \$10.0 million in eash

Advice in connection with the awarding of the second GSM cellular

Acquisioon of ex-Efim Group defense subsidiaries Acquisition of Affyrnax N.V. Acquisition of Brooklyn Bancorp, Inc. [Pending] Acquisition of Heart Technology, Inc. Purchase of certain cellular properties from Bell Atlantic Corporation and NYNEX Corporation Sale of interest in American Maize-Products Company to Eridania

Beghin-Sar, S.A. Acquisition of the Aerospace Operations of Hercules Incorporated Privatization of Aeroporo di Roma S.p.A. Merger with M/A-COM, Inc. Acquisition of United Counties Bancorporation (Pending) Sale to Med Trans Acquisition Corp., a wholly owned subsidiary of

Laidlaw Inc. Acquired by Madge Networks N.V. .. Acquisition of Dobson Park Industries PLC Spin-off of equity interest in First Miss Gold Inc. Acquired by Sandoz Ltd. Acquired by General Dynamics Corporation Acquisition of Central Jersey Bancorp

Sale of its Automotive Products Division to an affiliate of C1NVen Sale of Alba Field (U.K. North Sea) to Union Texas Petroleum Ltd., a unit of Union Texas Petroleum Holdings Inc. Acquired by Johnstown America Industries, Inc. Equity investment in VWR Corporation

Sale of its indirect wholly owned subsidiary, Tilden Financial Corp., to General Electric Capital Corporation Sale of the Marcus Hook Refinery (Pending) Acquisition of Gulf States Steel, Inc. of Alabama Acquisition of Pyropower, the power generation business of A. Ahlstrom Corporation Acquired by First Financial Management Corporation Sale of 8 % of Omnitel Sistemi Radiocellulari S.p.A. to Ing. C. Olivero

Acquired by Shawmut National Corporation Sale of its Hoover European Appliance Group to Candy S.p.A. Acquisition of 88% interest in Swisher International, Inc. from American Maize-Products Company Acquisition of EP Technologies, Inc. (Pending)

Acquisition of Allegheny & Western Energy Corporation Acquired by Johnson & Johnson Acquisioon of Southern Business Group PLC Acquired by Mentor Graphics Corporation [Pending] Sale of its construction aggregates business to Martin Marietta Materials, Inc. Sale of certain U.K. North Sea gas assets to PowerGen plo

Sale of U.S. pharmaceutical division to Schwarz Pharma AG Acquisition of Glycomed Incorporated Acquired by Recoton Corporation [Pending] Sale of its interest in American Marketing Industries Holdings Inc. to Jupiter Partners L.P. Acquired by Boston Scientific Corporation Sale of 60% of Banco Granada Jerez to Caja de Ahorros y Pensiones de

Barcelona (la Caixa) | Pending) Acquisition of the Avery Label Division from Avery Dennison Client

Crosland Group, Inc. Applied Immune Sciences, Inc. Mitsui & Co., Ltd.

Burlington Resources Inc. (through its subsidiary, Meridian Oil Inc.) VEBA AG MagneTek Inc. Tektronix, Inc.

Colonial Company USX-Marathon Group Genemech, Inc. Santa Fe Energy Resources, Inc. Asahi Breweries, Ltd. and ITOCHU Corporation

Sun Distributors, L.P. International Business Machines Corporation (through its wholly owned subsidiary IBM Semea SpA) BBA Group PLC Applied Bioscience International, Inc.

Lida Inc. SciGenics Inc. **Ball Corporation** Varco International, Inc. Gryphon Holdings, Inc.

> Tesoro Petroleum Corp. Pool Energy Services Co. Quaritum Health Resources, Inc. and OptimalCare Inc. Lehman Brothers Global Asset

Lehman Brothers Inc. Lehman Brothers Global Asset Management Limited Air Products and Chemicals, Inc.

Management Limited

Ameritech Corporation

Applied Bioscience International, Inc. Bayerische Hypotheken-und Wechsel-Bank

Brunswick Corporation

Bertelsmann AG

Decision Serveom, Inc. Deltech Corporation Digital Equipment Corporation Digital Equipment Corporation

R.R. Donnelley & Sons Company

EJV Partners, L.P. Electronic Data Systems Corporation Eli Lilly and Company **GMAC Mortgage Corporation** Hamischfeger Industries, Inc. **IDEC Pharmaceuticals Corporation** International Business Machines Corporation

International Multifoods Corporation IVI Business Travel International Kellogg Company of Great Britain, Limited Knoll AG (a wholly owned subsidiary of BASF AG) Lehman Brothers Global Asset

Management Inc. Lehman Brothers Holdings Inc. Lehman Brothers Holdings Inc.

Liberty Brokerage Investment Corp.

Loanet Holdings, Inc.

The LTV Corporacion Magne Tek Inc.

NetHold B.V. Petroleos de Venezuela, S.A. Quality Tubing, Inc.

Rhône-Poulenc S.A Robbins & Myers, Inc. Robbins & Myers, Inc. Robbins & Myers, Inc. Rosmal S.r.L.

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Transaction

Value (US\$) Sale of 14 multifamily properties to Sununit Properties, Inc. \$84.500JNHI Acquired by Rhone-Poulenc Rorer Inc. Acquisition of ammonia production facilities of Ocelor Ammonia Company

Energy, Inc. Acquisition of 50% of Cable & Wireless Europe, S.A. Sale of its Magne Tek Electric Inc. unit to General Signal Corp. Acquisinous of Lightworks Editing Systems Limited and Lightworks Eding System, Inc. Sale of Colonial Mortgage Co. to Colonial BancGroup Inc.

Sale of natural gas gathering lines and storage facility in West Texas to K N

Sale of 4.6 million shares of USX-Delhi Group to USX-Delhi Group Corporate alliance with Scies Nova Inc. Sale of its interest in Hadson Corporation to Louisville Gas & Electric Acquisition of 75% interest in China Brewer, (Holdings) Ltd. which owns majority equity interests in Beijing Zhongce Beijing Beer Co., Ltd. and Yantai C.S.I. Brewery Co., Ltd. in the People's Republic of

Sale of The Dorman Products division to R&B Inc. Increased its stake in Information Services Group

Sale of Scandura North America to an affiliate of Harvest Pariners, Inc. Sale of toxicology research facilities to Huntingdon International Holding PLC Sale of its Stretch Fabrics Business to an affiliate of Harvest Partners, Inc. Acquired by Genetics Institute Inc.

Sale of its Efratom division to Datum Inc. Dutch auction self tender for 5.3 million common shares Purchase of 1.5 million shares of Gryphon Holdings, Inc. from Willis Acquisition of Constwide Energy Services, Inc. (Pending)

Acquisition of Golden Pacific Corporation Acquisition of \$1% of OptimalCare Inc. Sale of its London-based investment management business related to Lehman Brothers Latin America Growth Fund Inc. to American

Express Financial Corp. Sale of 20,000 brokerage accounts to Prudential Securities Inc. Sale of its London-based investment management business related to the Italy Fund to Smith Barner Inc.

Acquisition through three tender offers, of up to 74.2% of the outstanding common shares of Sociedad Española de Carburos Metalicos, S.A. Acquisition of The National Guardian Corporation from LEP Group

Acquisition of the Leicester Clinical Research Centre Ltd. from Huntingdon International Holdings PLC Acquisition of Agency Rent-A-Car from National Auto Credit, Inc. Sale of HYPO-MSL to Birmingham Midshires Building Society Sale of the Commercial Division of BMG Ricordi S.p.A., a subsidiary of

BMG International, part of the Bertelsmann Group, to Ciangiacomo Fehrinelli Editore S.p.A. (Pending) Sale of substantially all of the assets of its Technical Group to the newly formed Technical Products Group, Inc., a company controlled by Equus Capital Management Corp.

Acquisition of Bell Atlantic Business Systems Services, Inc. Undisclosed Undisclosed Acquired in a management buyout Sale of manufacturing services business to SCI Systems, Inc. Undisclosed Sale of its Text Terminal Business to the SunRiver Data Systems Inc. unit Undisclosed

Contributing its wholly owned subsidiary, Global Software Services Corp., to Stream International along with SHI Holdings, Inc., cuntribuong Corporate Software Inc. to Stream International Acquired by Global Financial Information Corporation Acquisition of A.T. Kearney, Inc.

Acquisition of remaining 70% interest in Integrated Medical Systems Inc. Acquisition of Republic Realty Mortgage Corporation Sale of its subsidiary, Syscon Corporation, to Logicon, Inc. Strategic Alliance with Genentech, Inc. Global Strategic Alliance with STET-Società Finanziaria Telefonica per Azioni (Pending) Sale of its Seafood Division to Tyson Foods, Inc.

Merger with USTravel Systems Inc. to form BTI Americas, Inc. Sale of Askeys business to a management buy-in group Alliance/joint venture with IVAX Corporation in European generic pharmaceuricals Merger of its Selected Growth Stock Portfolio with AMT Capital Funds 1Pending |

Sale of Lehman Brothers Global Asset Management Ltd. unit to Legge Mason Inc. [Pending] Sale of six Europe-based Private Client Service business units to Prudential Securióes Inc.

Sale of Market Vision Corporation to Global Financial Information Corporation Acquisition of certain assets relating to the securities lending business of Instinct Corporation, a subsidiary of Reuters Limited

Sale of its subsidiary, Continental Emsco Company, to SCF Partners Sale of substantially all the assets of its Columbus, Ohio utility equipment service business to a newly formed corporation, National Flectric Coil-Acquisition of a 7.5% interest in Telepiu s.r.l. from PTB Pay-TV

Beteiligungs GmbH Privacization of Venezuelan Exploration Properties (Pending) Sale to The Beacon Group Energy Investment Fund, L.P. Transfer of its TDI business to and long-term manufacturing and supply agreement with ARCO Chemical Company

Acquisition of the stock of Cannon Process Equipment, Ltd. Formation of a partnership with Universal Process Equipment, Inc. Acquisition of the assets of Pharaoh Corporation Sale of the 40% interest in Davide Campari-Milano S.p.A. to Koninklijke BolsWessanen NV Acquisition of Florest, Inc.

Transfer of 50% interest in Santen-Allergan Corp., a 50-50 joint venture with Allergan Inc., so Santen-Allergan Corp. Acquired by Marion Merrell Dow Inc. Sale of Assets and Business of Shell Polypropylene Company to Union

Carbide Corporation (Pending) Sale of its 50% interest in Cambridge Holding Company Limited to Undetermined Comeast UK Cable Partners Limited in exchange for 8,859,663 shares in Comcast UK Cable Partners (Pending) Acquisioon of a 49% stake in American Personal Chrimmunications Inc.

from Washington Post Co. Undisclosed

Acquisition of Microwave Logic, Inc. Sale of minority interest to AirTouch Communications and Bell Atlantic Undisclosed Corporation Divestiture of its San Diego Cellular License in exchange for certain

Undisclosed cellular assets and partnership interests of GTE Corporation Acquisition of polyethylene terephthalate (PET) packaging resins Undisclosed business from Akzo Nobel NV

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By Daniel Green

Repsol, the Spanish oil and gas company, said yesterday that a plan to merge its plastics businesses with Austria's OMV had been abandoned.

The deal's collapse comes at a delicate time for Repsol. Last week, the Spanish cabinet approved the sale of up to 11 per cent of the company owned by the government, with bids closing in early February.

The sale will reduce the government's stake to 10 per

By Andrew Jack in Paris

those it owns.

withdrawals.

Banque Nationale da Paris, one

of France's largest banking

groups, yesterday broke ranks with its rivals by announcing

it would charge clients for

making multiple withdrawals

from cash machines other than

The action is the first time a

French bank of any size has

resolved to levy such fees, and

represents an important chal-

lenge to the country's existing system of free universal cash

It is also the latest indication

of attempts by French banks to

But Repsol shares rose Pta60 yesterday to Pta4,035. Analysts said the long delay in finalising the venture with OMV meant that few in the market were surprised at its cancellation. OMV shares rose Sch2 to Sch952.

The deal would have been the latest in a series of such ventures in an industry plagued by over-capacity, and would have created Europe's third-largest petrochemicals

They include the creation of the biggest two petrochemicals

French banks using the "Carte

Bancaire" plastic card can

withdraw money from any

rival bank's cash dispenser as

well as their own without

incurring charges, in a system

pioneered during the 1960s.
The banks - through the

Groupement des Cartes Ban-

caires organisation - settle the

costs of operating the system

among themselves, but have

not traditionally passed this

Each bank pays a fee of FFr5

for every cash withdrawal

made by one of its customers

at another bank's machine,

charge on to customers.

joint ventures in Europe, the Copenhagen-based allianca between Neste of Finland and Statoil of Norway, and that formed by Mootedison of Italy and Royal Dutch/Shell.

Repsol and OMV had been considering the merger for more than two years. It was conceived in the darkest hours of the last cyclical downturn in the sector's fortunes.

One analyst said that one factor behind the failure of the deal was the rapidly changing valuations on parts of the two companies' businesses as some

now start to charge this FFr5

transaction fee to any of its

customers who make more

than giv withdrawals a month

from another bank's machine.

Mr Yves Martrenchar, BNP's

executive in charge of cus-

tomer relations in the branch

network said: "We wanted to

send a signal to our clients.

Some do not realise that there

is a cost to the bank for each

included many individuals who

lived in large population cen-

tres and often made withdraw-

from competitors'

He said the bank's clientele

withdrawal they make."

BNP breaks ranks on cash machines

At present customers of now warned clients it would

chemicals prices recovered faster than others.

The Spanish newspaper Expansion said the stateowned Abu Dhabi petrochemicals company, which is a large shareholder in OMV, also opposad the plan. Repsol blamed various factors influencing the final decision not to proceed with the venture, but could not confirm any one in

The companies said relations with OMV remained "very good", adding that the two companies were currently co-

was only designed to affect

those who carried out large numbers of such transactions, and studies showed it would

only lead to charges for about 3

per cent of its customers, rep-

expected the decision taken to

be "long-lasting and unchang-

ing" - and that it was unlikely

charges would be introduced for less than six withdrawals a

Only two other small French

banks which do not operate

their own cash machines cur-

rently make charges for cash withdrawals. One other bank

month from a rival bank.

resenting 100,000 accounts. Mr Martrenchar said ha

"Furthermore, although Repsol and OMV have discarded their plans to group all their plastics business, we are still in negotiations over co-operation in certain areas of that

activity," they said. Repsol is Spain's largest plastics producer, with facilities at its refinery complexes in Tarragona and Puertollano.

The joint venture was to have provided an exit from petrochemicals for OMV. The future of its troubled plastics

operating in oil exploration in division has been in doubt since mid-1993 when the company announced a big restructuring. At the time OMV hinted that it would like to get out of the volatile polyolefins and

plastic products businesses. OMV's plastles division made a trading profit of Sch410m (\$40.3m) in the first half of 1995 on sales of Sch4.83bn, reflecting substantially improved prices and the fruits of internal restructuring. It was the division's first profit since the late 1980s. Prospectus due, page 22

EUROPEAN NEWS DIGEST

Court backs Matra Hachette share swap

The Paris appeals court yesterday rejected the complaint of five French minority shareholders of Matra Hachette that they had been unfairly treated at the time of the 1993 merger between Matra and Hachette, respectively the defence industrial and publishing arms of the Lagardere group. The minority shareholders claimed the exchange of shares in the merger was unfair because it ignored a missile contract worth nearly FFr10bn (\$2bn) which Matra received from Taiwan in late 1992, and that instead of receiving 13 Hachette shares for every five Matra shares, they should have got 20 Hachette shares. The Lagardère group said the Taiwan contract was a defence secret but its impact was factored into the 5-for-13

The Lagardère group welcomed the vertice of the court, which also refused to award it damages against the minority shareholders. But it said it had deposited a legal complaint with the state prosecutor, citing 'proof of the involvement of important personalities in this destabilisation effort at a critical moment for French defence industries". Demands for FFr150m by intermediaries for the minority shareholders to settle the case out of court amounted to attempted extortion, the group said, against the background of what it claimed was a press-backed campaign against the group in France, the US

Axa announces restructuring

Axa, the large French insurance group, yesterday announced a FFr5.9bn (\$1.2m) capital increase and a restructuring following which Generali, the Italian insurer, will directly control 11 per

cent of the group.

The action, which follows a change of senior management at Generali, will lead to the disentangling of a complex series of cross-shareholdings between the two groups dating from 1940. after Axa acquired the French insurer Compagnic du Midi. ,

Midi Participations, a holding company which is 40 per cent owned by Generali, will be dissolved, and Generali will in turn buy back Axa's 40 per cent reciprocal stake in GME, a holdtig company for the Italian insurer.

Axa said it would use FFr2.3bn of the proceeds of the capital increase to convert into equity a loan made last year by Finaxa, one of its ultimate holding companies, while the res of the money would be avallable for future acquisitions. lt said that it had agreed with Generali to couclude by February 15 a new sharebolder agreement to seek joint development opportunities and to maintain their respective

Italian groups in outsourcing deal

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Four leading Italian Informatics companies yesterday launched a joint venture aimed at securing a big share of the country's fast-growing outsourcing market, currently worth 12,000bo (\$1.27bn) and expected to double by 2000. The Milan-based joint company, which is called Arancia and will have L5bn capital, has been formed by ITS Information Technology Services, a Fiat subsidiary, Enidata, controlled by Eni; Elsag Bailey Informatica, an arm of Finmeccanica; and Cedacrinord, which specialises lo banking informatics.

The four companies expect to have a combined turnover this year of L600bn and alm to achieve sales of L1,500bo in three b four years – of which L600bo should be provided by Arancia. Mr Tarcisio Zucca Alessandrelli, managing director of ITS and Arancia's chairman, said the joint venture's first objective would be to gain a strong hold in the Italian market, which is dominated by Finsiel, a subsidiary of Stet, the public sector telecoms holding company, and IBM. It would then consider: entering the European market, possibly with a European

Coflexip Stena in shake-up

Coflexio Stena Offshore has decided to give more power to its new chairman and chief executive. Mr Pierre Marie Valential The Franco-Swedish company, which makes flexible underwater pipes for the oil industry, wants to simplify its management structure.

Mr Valentin is to take over the roles of Mr Christian Marbach, former chairman and managing director, and Mr Thomas Ehret, his co-managing director, who have resigned. This management division dated from Coflexip's 1994 takeover of the Swedish group, Stena Offshore. Coflexip Stena profits fell sharply last year - the first half result dropped to FFr2m (\$4.65m) from FFr188m in the same period of 1994.

Karstadt sales flat in 1995

Karstadt, the German retailer, said 1995 group sales were DM26.9hn (\$18.6bn), 0.6 per cent lower than a year earlier. Parent company sales dropped 3 per cent to DM13bn in the reporting year, with the Karstadt travel agency business contributing about DM333m. Karstadt said its Hertie Waren und Kaufhaus unit had 1995 sales of DM4.5hn, down 6.1 per cent on 1994. Neckermann Versand AG, Karstadt's mail order business, had 1995 sales flat at DM3.25bn. Nur Touristic sales in the year to October 31 of DM3.4bn marks, or 9.3 per cent. more than a year earlier, Karstadt said. AFX News, Fisch

French banks fined over loans

France's two largest banks were yesterday fined FFr210m (\$42.4m) by a commercial court in Angoulème for negligently granting credit to a company in financial difficulties. Credit Lyonnais and Banque Nationale de Paris were ordered to ply the money to the court-appointed liquidator of Compagnie Flamand-Pfertzel International (CFPI), a jewellery manufacturer employing 350 people which closed in 1993 with

debts of FFr500m.

The fine represented loans advanced by the two banks over three years up the closure during which time, according to be court judgment, it should have been evident thet CFPI was unable to pay its dehts and that the loans therefore simply added to the total debts accrued. Both banks said they would

Franco-US share trade venture

Hambrecht & Quist, the US venture capital group, and Financière Saint Dominique, a subsidiary of Crédit National, the French banking group, yesterday announced the creation of a joint venture designed to trade shares and introduce fast growing companies to stock markets around Europe. Hambrecht & Quist Saint Dominique, with initial capital of \$3m provided equally by the two institutions, claims to be on of the first institutions set up to take advantage of the

The new business, based in Paris, aims to identify and sponsor new introductions of European businesses, mainly from the high technology sector. Mr Denis Mortler, managing director of Financière Saint Dominique, said there were plans to open offices in other European centres. Andrew Jap

rose 0.4 per cent from a year earlier to FFr5.9bn (\$1.2bn) in the nine months to December. On a comparable structure basis and at constant exchange rates sales would have been up 43:

SBA SOCIETE GENERALE ACCEPTANCE N.V. FRF 300,000,000 REVERSE FLOATING RATE NOTES DUE JANUARY 14, 2003 ISIN CODE: XS0040147158 For the period January 15, 1996 to July 15, 1996 the new rate has been fixed at 15.145 % P.A. Next payment date: July 15, 1996

Coupon nr: 8 Amount : FRF 76566.39 for the denomination of FRF 1 000 000 The Principal Paying Agent SOCIETE GENERALE BANK & TRUST - LUXEMBOURG

SGA SOCIETE GENERALE ACCEPTANCE N.Y.
FRF 300,000,000 REVERSE FLOATING RATE NOTES
DUE OCTOBER 15, 1997
ISIN CODE: XS0034197037 For the period January 15, 1996 to April 15, 1996 the new rate has been fixed at 21.84376 % P.A. Next payment date: April 15, 1996

Amount : FRF 55216.17 for the denomination of FRF 1 000 000 The Principal Paying Agent SOCKETE GENERALE BANK & TRUST - LUXEMBOURG



regardless of the amount. BNP, whose chairman is Mr machines, so BNP lost more money than it gained through cope with a sharp fall in profitattempted to start charging a ability in the last two years. few years ago but abandoned driven by rising costs and fallthe network. He said a few cus-Michel Pébereau, operates 2,000 ing revenues in an increasingly of the country's approximately tomers made small transac-Michel Pébereau: his bank was sending a signal to its customers

Benckiser sniffs out Maybelline as a takeover target The acquisitive German company will have an uphill struggle to close the deal, writes Andrew Fisher

Toh. A. Benckiser, the German detergents and cosmetics company, has a sumer prodocts. habit of hitting the beadlines, going quiet for a whila and then bouncing back into the news. Its latest surprise has been an unsolicited bid for Maybelline, the US cosmetics company that had already accepted a \$660m bld from

France's L'Oreal. Based south of Frankfort in Ludwigshafen - bome of the facturer and marketer of fra-BASF chemicals group and birthplace of Chancellor Helmnt Kohl - Benckiser is a softeners. family-owned company with an

US, adding to its detergents business and expanding in con-

After digesting its new activitles, it pounced again in May. 1992, to buy the Coty cosmetics and fragrances company from Pfizer of the US for \$440m. Today, Benckiser - which is not quoted on the stock exchange, but says it may eventually go public - claims to be the world's biggest manugrances and of automatic dishwashing detergents and water

It generates annual sales of

were DM146m, a 34 per cent bousehold detergents and rise on 1993 but still below target as a result of the D-Mark's strength.

The company, which employs more than 10,000 people, has three areas of busine mass distribution cosmetics

and fragrances under the Coty name, including the Stetson, Jován, Margaret Astor, Vanilla Flelds, Adidas and Coty brands, which are sold through chains such as Wal-Mart, Kmart and Walgreen's;

 more up-market cosmetics entrepreneurial taste for acqui- around DM4.8bn (\$3.31bn), and fragrances under the Lansition. In the late 1980s, lt sprang into action with take- outside Germany, especially in labels as Lancaster, Davidoff,

original consumer products business, including Calgon (the world's leading water softener) and antomatic dishwashing products under the Calgonit, Finish and Electrasol brands.

Household products and cosmetics/fragrances each account for roughly half the total business of the company, which was founded in 1823 by Johann Adam Benckiser.

It has been beaded for the past eight years by the expansion-minded Mr Peter Harf, formerly with Boston Consulting more than L'Oréal's \$36.75 a been reduced to DM2.4bn two Group and AEG, the now all share offer. Earlier, Benckiser years later, in 1995, it shed a ing electrical subsidiary of had offered \$36.

Daimler-Benz. With 28 per cer

still keeping its cards close to its chest over the offer for Maybelline, which is based in Memphis, Tennessee, has sales of around \$350m and makes such mass-market prodocts as lipstick, mascara and oail varnish. The German group declined to comment on its move and has not specified a firm bid price.

n its letter to Maybelline, the German company said it had more than \$1bn cash available for the deal and was prepared to pay "materially" debt of DM3.2bn which had more than L'Oréal's \$36.75 a been reduced to DM2.4bn two

If Benckiser does manage to swing matters its way, the deal would reaffirm its willingness to spend heavily on strategic Its previous purchases since

house, which has pledged its stock to L'Oréal, Benckiser has

an uphill struggle ahead of it.

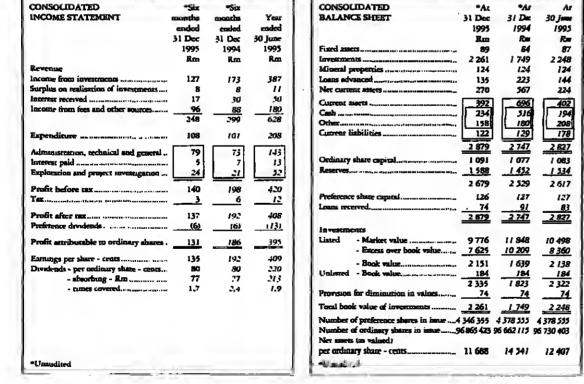
It is now up to the German

company to name its offer

the mid-1980s cost it around DM4.3bp. At the end of 1992, it had

further DM400m or so of bor-With 28 per cent of Maybel- rowings. One of its main lend-

Yesterday, Benckiser was line owned by Wasserstein Per- ers has been Deutsche Bank. overs in Italy, Spain and the the US. Pre-tax profits in 1994 Joop and Jil Sander, CONSOLIDATED



Final dividend No. 95 of 140 cents per ordinary share in respect of the year coded 30 June 1995, absorbing R135m, was declared on 15 August 1995 and paid or 20 September 1995
Dividend No. 23 of 145 cents per preference share an respect of the six mouths ended 31 December 1995, absorbing R6m, was declared on 12 December 1995 and

Northam Platinum Limited
The company has exceeded the production targets which were set in the technical assessment completed at the end of 1994. However, higher working cours and lower than automated platinum group metal prices have resulted in the company incurring a loss in the six months to December 1995 of 830,4 million and, after capital expenditure of R11 million, the cosh resources declining to R36 million at 31 December 1995.
Focus will continue to be directed to achieving further improvements in operating efficiencies, and the financial position, in the immediate period shead.
As at the date of this report, the book value of the Group's investment in the company exceeded market value by approximately R260 million. The board does not consider that there has been, at this stage, a permanent diminacion in the value of the investment. This position will be reviewed on on ongoing basis.

Gold Fields Ghans Linsiered

The measured in-situ resource, based on a cut-off of 0,015 ounces per short too, has increased to 324 million short roos containing 13 million ounces of gold. The measured resource at Pepe, Mantraian and Alconomis East a now 181 million short toos containing 7,7 million ounces of gold. The measured resource at Alconomis Ridge and Kottawerchy consists of 143 million short toos containing 5,3 million ounces.

Exploration in locare and confirm fairbut opencies and underground resources at in progress.

On the basis of results from the pre-fassibility study. I full feasibility study, utilizing the resources at Pepe, Mantraian and Alconomis East, has been commissioned, it is an accepted that the full study will be completed and assessed before the and of the financial year. This will then allow a market related value to be determined for the company.

An increase in consolidated net carnings is expected for the second half of the financial year compand to the consolidated net carnings reported for the six mouths to December 1995. The extract of the increase will largely be dependent on earnings from the Group's gold mining company investments and the surplus arising on the ags Requirements of The Johannesburg Stock Eachange, the interior report of this company has been reviewed, but not audited, by Erast & Young riew report is available for inspection at the registered office of the company.

DECLARATION OF INTERIM DIVIDEND Dreidend No. 96 of 80 cents per ordinary share has been declared in South African currency, payable to members registered in the books of the company at the close of businen en 9 February 1996. Davidends will be electronical beauers on 9 restaury 1990.
Develoads will be electronically cransferred to members' bank or building society accounts on 6 March 1996 or, where this method of payment has not been individed warrants will be posted to members on 5 March 1996.
The anadard conditions relating to the payment of dividends are obtainable at the share transfer office and the London Office of the company.
The register of members will be closed from 10 to 16 February 1996, inclusive.

Registered and Head Office: 75 Fox Score esburg 2001

16 January 1996

London Office and Office of United Kingdon Registrar. Gold Fields Corporate Services Ltd Greencour House Francis Street London SW1P 1DH

On behalf of the beard: R A Plumbridge (Chairman) A J Wright (Chief Emergive Officer)

Magneti Marelli plans to double sales in Americas

By Peter Marsh

Magneti Marelli, the Italian automotive parts company controlled by Fiat, plans to double its sales in North and South America over the next five years through a series of investments in the region and increased exports from Europe. according to Mr Domenico Bordone, Magneti chiaf

In particular, Mr Bordone sees large possibilities for increasing exports to the US and South America of automotive lighting, where in Europe Magneti is the second biggest producer after Valeo of

The company envisages that exports to the US of car lighting from its plant in Cannock in the UK - one of its main European lighting factories - will climb from about \$1.5m in 1994 to \$45m

Of Magneti's annual sales of \$3.4bn, only about 10 per cent comes from sales in North and Sonth America. Mr Bordone said in an interview the company aimed to double the sales in the region to about \$680m by 2000. "We have firm plans for this. It is not just a dream," he said.

Mr Bordone said the company - among the world's top 10 car components groups was planning to expand productioo in its plants in Brazil and Mexico to serve the expanding car industry in South America.

plant which makes engine controls. "The US market is a wonderful growth opportunity a \$15m investment programme. growth.

Magneti also plans to step up its activities in China, where it has one factory making instrument panels which is dne to start production by early next year. This plant, 75 per cent owned by Magneti and the reat by tha Chinese government, could be expanded.

The company is also considering a range of other joint ventures in the country to make parts such as engine management systems.

According to Mr Bordone, one of Magneti's strengths is that it makes a large range of vehicle components, some of which can be integrated with each other, particularly through the use of electronic systems. For example, he sees particular growth possibilities through the use of electronics to enhance the performance of engine management systems, air conditioning and lighting.

The company is investing

about \$8m in Cannock and another 53m at a lighting plant in Turin to make a new generation of beadlamps with plastic lenses. Recent changes in European legislation will encourage the use of headlamps with plastic lenses - which double as front covers. In the US they have been used for many years. Because plastic can be moulded into

used in beadlamps, plastic lenses lend themselves more readily to new car designs. Annual output from the It would also consider Cannock factory, now about expanding production at its US \$110m, is expected to climb to

about \$150m by 1998, with exports of lights for new cars and sales to the UK lighting for us," he said. Capacity at "after-market" (replacements Magneti's factory near Mexico to lamps in existing cars) City is being increased through accounting for much of the

complex shapes more easily European Investment Services Directive. than the glass traditionally

> Moulinex nine-month sales stable Moulinex, the French consumer electronics group, said sales

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INTERNATIONAL COMPANIES AND FINANCE

Sakura Bank in Asian co-operation pact

By William Dawkins in Tokyo

Japanese banks' hunt for new corporate customers in Asia will advance tomorrow when Sakura Bank, a leading commercial lender, is due to conclude a wide ranging co-operation accord with four other

Asian banks. The deal has been discussed by the partners' respective chief executives at annual meetings for the past three years, since the depth of the Japanese recession, when Japa-nese companies' demands for domestic loans started to ebb. It brings Sakura together

with Thailand's Bangkok dent banks, settling accounts now accounts for more than a guarter of Japanese banks out standing foreign loans, about ment and Commercial Bank of Malaysia and Far East Bank of the Philippines, the Japanese bank said yesterday. Their alliance, to be chris-

tened the Asian Bankers' Forum on its launch at a meeting in Jakarta, will embrace co-operation in mergers and acquisitions, syndicated loans for industrial projects, housing loans, derivatives trading and staff training. This extends an existing alli-

ance between the five, under

solidate its Asia customer base and personal relations. Asia is the fastest-growing region for new lending by Japanese banks, but competition from US and European banks is

Japanese banks trimmed

their international lending from its 1991 peak after the col-lapse of domestic property and share prices started to make demands on their capital at home. But Asia led the way when foreign lending expanded again two years ago; the region the same as Europe. Leading banks have opened

offices in Thailand, China, Malaysia and Vietnam in the past 18 months and represent the lion's share of applications to open foreign branches lodged with the Japanese finance ministry over that period.

The increase in Asian lending was originally aimed at the growing number of Japanese manufacturers which have moved production from high cost Japan to cheaper sites in the region.

investments, suggesting tha

fate of marginal mines could

depend on higher bullion

prices. "Unless you have

secured tha husiness, you

might as well deal in commodi-

ties. I would have liked to see

more hedging," said one.

recently shifted towards lending to Asian companies and government backed infrastruc ture projects. Japanese banking industry figures show that loans to Asian companies and infrastructure projects were recently growing faster, at 15 per cent annually, than lend-ing to Japanese companies in Asia, which was rising at 8 per

cent per year. Japanese companies' increasing tendency to borrow directly from the bond markets rather than from banks bas added to the pressure to seek new customers abroad.

head office bad entailed the

Anglovaal Minerals also

released quarterly results for its gold mines yasterday, reporting a 12 per cent rise in

after tax profits to R34.8m.

loss of 70 per cent of jobs.

TNT sells troubled **Spanish** operation

By Nikki Teit in Sydney

TNT, the Australian transport group, has sold TNT Express España, its troubled Spanish express freight operation, for undisclosed terms to local

investors. However, the sale of the business, which cost the company almoet A\$40m (US\$29.7m) in write-offs and restructuring provisions last year, failed to stem the recent sharp sell-off in TNT shares. They closed 2 cents lower at A\$1.61 yesterday, having lost more than 10 per cent of their value since the start of the year, amid talk of reduced earnings forecasts by analysts.

TNT

Share price relative to the All Ordinaries Index

January 1996

TNT declined to identify the buyer of the Spanish business. It said that while the terms had been settled, some details had to be finalised. It refused to be drawn on whether existing provisions and write-offs would prove either adequate or excessive, hnt said the posi-tion would be clarified when its interim profits were

Last year TNT sacked two senior executives at the Span-ish freight husiness, after dis-covering that the subsidiary's returns had been overstated by A\$9.4m. TNT said no cash loss had resulted, but management in Australia hed been misled into thinking that the Spanish unit was improving its performance when, in fact, it was deteriorating. TNT will retain its more successful Spanish logistics operations, which have contracts with several big customers, including

The losses from the Spanish domestic operations were blamed for part of the fall in TNT's net profit, from A\$105.5m to A\$40m in 1994-95. The group was also hit by lower contributions from the Australian general freight division and the Ansett Worldwide airline unit.

The company wrote off A\$12.5m of goodwill and made an A\$27m provision for restructuring costs; these charges, however, were offset by the writeback of an earlier Ansett-related provision. AAPC, the Australia-based hotel management company,

bas agreed with Malaysia's Taiping Consolidated Berhad to develop and manage hotels in Malaysia.

ASIA-PACIFIC NEWS DIGEST

NTT Data Systems plans Y140bn issue

Japan's NTT Data Systems, an information systems and computer networking systems servicer and a subsidiary of Nippon Telegraph & Telephone, plans a Y140bn issue of new shares. It wants to use the proceeds to pay back loans, and for capital expeoditure. Its shares yesterday ended Y10 lower at Y3,260 on Japan's over-the-counter market.

The company has filed a registration request with the finance ministry which will allow it to issue the shares any time within 12 months of registration, which takes effect on January 24. The company will probably issue the shares soon after, it said.

In the year to March 31 1996, NTT Data expects to lift consolidated pre-tax, or recurring profit, to Y25.3bo (\$240.5m), up from Y18.7bn the year before. Last year NTT Data signed a contract with the City of Beijing to provide an integrated circuit card system for government use. It has also secured orders totalling Ythn for an online system for part of China's postal savings system. It said it bad also developed an electronic money" system for use at company beadquarters and university campuses. The system features cards loaded with integrated circuits that electronically store and transfer

New Asian investment fund

Mitsubishi Corp of Japan is linking with Temasek Holdings of Singapore and Bangkok Bank to set up a Y10bn investment fund to support privatisation and business development in

Mitsubishi Corp said it would hold 40 per ceot of the fund, to be registered in the Cayman Islands, with Temasek and Bangkok Bank each taking 30 per cent. The companies will set up a joint venture in Singapore to manage the fund - MC Private Equity Partners Asia - which will make equity investments, mainly in private Asian businesses, Mitsubishi AFX News, Tokyo

BankWest offering closes early

BankWest, the Perth-based regional bank acquired last year by Bank of Scotland, confirmed yesterday it would close its A\$437.7m share offer this afternoon because of heavy demand from investors. The offer had originally been due to close on February 9, having opened on January 8, but Mr Hugh Young, Bank of Scotland general manager, said the offer would close early because of oversubscriptions.

A 49 per cent interest in the bank is being offered to public investors by Bank of Scotland, which acquired BankWest from the Western Australian state government for A\$900m (US\$668.8m) last year. Bank of Scotland agreed to redure its 100 per cent bolding to 49 per cent through a stock market flotation as part of the purchase deal, Because of the offer's early closure, BankWest shares will start trading on the Australian Stock Exchange at the end of January – also earlier than anticipated.

Nikki Tait, Sydney

Berjaya lifts Australian presence

Berjaya Group of Malaysia is acquiring stakes in three Australian companies for a total A\$43,6m. It will buy a 60 per cent interest in Video Ezy Unit Trust for A\$9,6m, and a 50 per cent stake in Advanced Medical Technology and Gribbles

Pathology Trust, for a combined A\$34m.
Video Ezy, the market leader in renting videos in Australia and New Zealand, will be restructured before the acquisition is completed. A new company will act as a corporate entity. which will be the holding company of the entities that own the franchise business and rights in Australia and New Zealand. The new company will have an initial paid-up capital of A\$2m. of which Berjaya will hold 60 per cent. The balance will be held by the vendor, Junstamp.

Advanced Medical Technology is an investment holding

company, while Gribbles Pathology operates one of the largest pathology group in Australia through two main laboratories.

Merger talk boosts Inkel stock

Shares of Inkel, a unit of South Korea's Haitai Group, closed sharply higher yesterday on rumours that the group might merge Inkel with two other electronics units: Haital Electronics and Now Precision. Shares of Inkel closed at Won12,000, after leaping by the daily limit of Won600, or 5.3 per cent.

"Among the three electronics makers, the one that will benefit the most from the merger is seen to be Inkel," said a Daewoo Securities analyst. He said the merger would help Inkel surmount its expected sluggish sales. It produces only audio equipment, and analysts believe domestic demand for these products will continue declining as a result of the boom in multimedia products. Inkel has been associated with Haitai since December 1994,

when the group bought an 18 per cent stake in the audio equipment maker from its founder. AP-DI. Seou

Gengold disappoints with 19% quarterly rise

By Mark Ashurst in Johannesburg

the state of

Gengold, the gold mining subsidiary of South African mining and industrials house Gencor, yesterday reported a 19 per cent rise in after-tax income to R66m (\$18.2m) for the December quarter against the September period. Howaver, analysts were disappointed with lower dividends and losses at marginal mines.

Mr Tom Dale, managing director, said lower production costs had enabled a 23 per cent improvement in the bottom line, to R14m, but conceded

this was "off a very low base". He also confirmed the sale of the group's four marginal mines - Buffelsfontein, Grootylei, Stilfontein and Unisel to Randgold, subject to final approval from the Buffelsfon-

Gengold retains management

Australian

film group

in flotation

The Becker family is to float

its privately-held film and tele-

vision production and distribu-

tion company, the Becker

Group, on the Australian Stock

Some 25m shares, or just over 53 per cent of the enlarged equity, are being offered to

investors at A\$1 each, raising

A\$27m (US\$20.1ml and capital-

ising the group at A\$47m, at

the issue price. The proceeds

production and distribution

The 30-year-old business is

one of the largest independent

film distributors in Australia.

lt also handles TV pro-

grammes, including Boywotch, throughout Australasia and

It operates the Australasian

and Asian production activities

of the All American Fremantle

group under licence - this

involves production of four TV

game shows for Asian markets, with at least six more due to

start this year. It also has a

Los Angeles-based film produc-

The group hopes to take advantage of the growing inter-

est in the Asian entertainment

Exchange next month.

By Nikki Tait

activities.

parts of Asia.

tion unit.

market.

control at Buffelsfontein with an 8 per cent shareholding. Mr Dala said the sale had the support of the two directors nomi-

nated by Anglo American, which has a 25 per cent stake. The mine's entire workforce of about 5,500 would be laid off, although the new management would re-hire about 2,200

employee Gengold's capital expenditure of R32.6m at Beatrix Num-ber 3 shaft - compared with R20m the previous quarter offset a 24 per cent rise in after-tax incoma to R47.9m from R38.8m.

Earnings per share were 36 cents, compared with 38 cents for the September quarter. The interim dividend was flat at 63

Aggregate gold output increased at all mines as a result of higher tonnages mil-led and a slight improvement in yield, to 6.4 grammes per

By Gerard Baker

The Japanese stock market's

strengthening recovery received the endorsement of one of the world's more promi-

nent investors yesterday, when

Mr George Soros said Japanese

equities represented the best

prospects for world funds in

Mr Soros, who runs the Quantum Fund, told an inter-

national investment seminar in

Tokyo that a favourable combi-

nation of growing liquidity and

improvements in corporate profitability had produced one of the best outlooks for Japa-

nese equities since the pro-

longed decline in the stock

"Japanese stocks have

responded more or less to

changes in liquidity. Combined

with restructuring by Japanese companies and a boost from

the weaker yen, this should

cause a continued sharp rise in

He said he did not believe

Japanese equities were too

expensive, even though most

basic valuations suggest they

company profits."

market began six years ago.

Soros gives nod

Japanese equities

of approval to

tonne at the flagship Beatrix mina, compared with 6.3 grammes per tonne in the September quarter and 6.1 grammes last year.

Kinross mina reported a loss of RLlm, down from the Sep-tember quarter loss of RSm, after absorbing R9.6m in capital expenditure. Losses per share were G cents, against 45 cents for the September quarter. The mine, which paid dividends of 50 cents a share in June 1995 and 200 cents in December 1994, omitted its interim dividend

Mr Dale described Kipross's performance as "a disappointment", and warned that Gengold would not finance infrastructural development by hedging on forward sales unless it was confident of production capacity at marginal Analysts said hedging at Beatrix had funded capital

are still heavily over-valued by

is already enjoying one of its longest rallies in recent years. The Nikkei index of 225 leading

stocks is now 40 per cent above its low point last July. Yester-

day shares rose again, and the

Nikkei closed 279.65 points

widely credited with the

increase in equity prices long

before Mr Soros' pronounce-

ment. The Bank of Japan cut

short-term interest rates to

record low levels last year, and

the growth of narrowly defined money supply is accelerating rapidly.

But broader money is grow-

ing much more slowly. In any

higher at 20,567.07

The Japanese equity market

international standards.

compared with R30.9m in the The Government Mining September quarter. The improvement was attri-Engineer had supported Gengold's application to the Com-missioner for Inland Revenue buted largely in lower production costs as a result of previ-ous higher capital expenditure, which increased to R13.2m for anthorisation to extend

operations in the Evander gold field. If approved, this would require the lifting of "ring-fencing" restrictions that limit from R9.3m, and improvements at the Hartebeerspoort mine. A rise in the mine's average the range of operating mines. yield, to 8 grammes per tonne clearing a path for collaborafrom 7.7 grammes, boosted tion between nearby mines total gold production by 274kg struggling to sustain ailing to 5,735kg. An interim dividend shafts independently. While the successful introof 33 cents a share was declared. There were similar improvements at the small

duction of full-calendar working and decentralised wage Eastern Transvaal Consolirgaining remain critical to dated mine, where after-tax profits rose to R7m from the industry's future. Mr Dale said restructuring of Gengold's



George Soros: sees continued sharp rise in company profits

case, the main influence on

share prices in the past six months appears to have been international activity. Overseas investors have been heavy net purchasers of stocks while most big domestic institutions have remained cautious.

Mr Soros said the same monetary environment currently favouring Japanese equities would also further weaken the

BANQUE SOFINCO

FRF1,950,800,000 Floating Rate Motes due 1998

Presturing nate states used that Notice is horsely given that the rate of interest for the period from January 17th, 1998 has been fixed at 4.85583 per cent. per annum. The cupon executed for this period is FRF 122.24 per denomination of FRF 10,000 and FRF 122.24 per denomination of FRF 10,000 and is payable on the Interest payment date April 17th, 1986.

BNP The Flocal Agent Banque stanforation de Paris (Lexenabourg) S.A.

yen against the dollar. "We believe the Japanese authorities will continue to maintain a more stimulative policy than that of the US and the yen will depreciate through 1996," he said. Mr Soros' remarks will be

welcomed by Japanese authorities, anxious to see a weaker a by districtly distri

Total Proces for Temps of Temp

172 Acm puriod control of the contro

yen and stronger stock prices assist the still anaemic economic recovery. One of the most attentive participants in the seminar yesterday was Mr Eisuke Sakakibara, a senior finance ministry official who has been active in attempts to drive the yeo down and stocks up in the past year.

KOREA GROWTH TRUST

Notice is hereby given to the Unitholders that Korea Orawati Trant, managed by Chriseps Investment Trant Management Co. Ltd., Seoul, declared a distribution of won 74,000 per IDR of Larry units payable on or after February 3, 1996. Payment of coupon number 11 of the International Depository Receipts will be made as US dellars at one of the following offices of Morgan Guaranty Trust Company of New York:

New York, Brussels, London, Frankfurt, 2-4, Boernetsstrasse

Franklant. . "-- , portnerseases."

The amounts of dollars shall be the net proceeds of the tale by the Fund of the won amount in a foreign exchange bank on the Republic of Kores as its "spot rate" on February 3, 1996.

The proceeds of the coupons presented after February 3, 1996 will be convened into US deliters as the prevailing spot rate of the day following their presentation, and will be distributed to the Purphylars in proportion, to their respective excitiencess and after deduction of all taxes and charges of the Depositasy.

charges or the asspiratory in a country baseing a double taxation treaty with the Republic of Korea may below payment of their coupons of a lower rate of the Korean mon-resident withholding tax, on consistent they furnish to eather the Depositary or through one of the designated sub-paying agents a certificate showing their residence together with a copy of the Derinficate of incorporation or a copy of the passport for inde-locate, Those documents are required by the Korean National The Administratori Office as evidence of residence and without them the full year of 27,50 per Russian not required witholding tax will be retained.

With respect us the Kotea Growth Trust Prospectus and pursuant to clause 18(D) of the Trust Coul-nature to also given that, as from Jone 30, 1996, payment of estapon number 11 will be stade under Depositary: Morgan Gueranty Trust Company of New York 35, Avenue des Arts, B-1040 Beussels

JP Morgan

£100,000,000 BRADFORD &BINGLEY Floating Rate Notes Due 1998 8.8675% per army

C10,000 Note due 19th April 1996 C10\$-27 CS FIRST BOSTON Agent

INDIAN INVESTMENT COMPANY Société d'Investissement à Capital Variable

Siège social: 47, Boulevard Royal L-2449 Listembourg R.C. Luxembourg B 44.263 NOTICE OF MEETING

Dear Shareholder.

We have the pleasure of mylting you to attend the Annual General Meeting of Shareholders, which will be held on January 25, 1996 at 11.00 a.m. at the Shareholders with the following repeature.

Presentation of the reports of the Board of Directors and of the Auditor.

Approval of the balance sheet, profit and loss account as of September 30, 1985 and the allocation of the net profits. Discharge to be granted to the Directors for the financial year ended September 30, 1995.

September 30, 1955.

8. Action on nomination for the election of the Directors and the Auditors for the ensuing year.

Any other business which may be properly brought before the meeting. Any orner pushings which may be properly another the items of the agenda is
the shareholders are advised that no quorum for the items of the agenda is
required, and that the decisions will be taken at the majority vote of the shares
required, or represented at the Meeting. Each share is emitted to one vote. A
presented at any Meeting by proxy.

By order of the Board of Directors

Republic of Finland US\$1,000,000,000 Floating rate notes due 1997 Notice is hereby given that the notes will bear interest at 5.44922% per annum from 17 January 1996 to 17 July

1996. Interest payable on 17 July 1996 will amount to US\$275.49 per US\$10,000 hote and US\$0,087 \$1 per US\$250,000 note. Agent: Morgan Guaranty Trust Company JPMorgan .

The pool prices for 16th January 1996 were no published in yesterday's edition. We apologise for any inconvenience caused by this error.

Property of the Control of the Contr V2 Household Color of the Color Prima the electronal for every heli-flow in each temperature to prima. Prima the interference are in partial. Prima the in partial prima the interference in the prima for the prima for the dischard pittom. To convert pitting to seep per informal front find the control pitting for the dischard point should be moved one pitting to the lett, and CRLBARNAR becomes in CRIPPORTION. Provided or the discentization of the uncertainty profit is England and Resignment Agronoments which provides the approach of the uncertainty profit is England and Making. The Rose Private Prima is the table of the approach of the uncertainty profit is England and Making. The Rose Prima Prima is the table of the approach of the uncertainty for the table of the partial prima is the partial prima and the prima the partial prima and the partial prima and prima the state of the partial prima and the partial prima is the partial prima of the installed. Accordingly, the way the partial prima of the installed the prima received in the other prima the prima p

January 1996

US\$150,000,000 **(E**) Espirito Santo By: The Cross Manhattan Bunk, N.A.
London, Agent Bank
Dersulary 17, 1986
CHASS

We are pleased to announce the election of the following officers Joel Ackerman Vice President WARBURG, PINCUS VENTURES, INC.

> Frederic Stolar Jeremy S. Young Vice President

E.M. WARBURG, PINCUS & CO. INTERNATIONAL, LTD.

E.M. WARBURG, PINCUS & CO., INC.

NEW YORK

LONDON

HONG KONG

Financial Holding S.A. Floating Rate Notes due 2000 Notice is hereby given that for the this month period you have to me may morth period from James 77, 1936 to April 17, 1936 the Notes will carry an interest rate of 6,09785% per annum. The interest amount payable on the interest payment dama, April 17, 1936 will be US\$154.4 for Notes in denominations of the companion of the companion

USO 10,000,000,000
EURO MEDIUM TERM NOTE OF SOCIETE GENERALE,
SGA SOCIETE GENERALE ACCEPTANCE N.V. AND SOCIETE
GENERALE AUSTRALIA LIMITEO SERIE N° 52
SGA SOCIETE GENERALE ACCEPTANCE N.V.
FRF 1,100,000,000 REVERSE FLOATING RATE NOTES DUE APRIL 2004
ISIN CODE: X50048190556

Notice is hereby given to the Noteholders that, pursuant to the Terms and Conditions of the Notes, the rate applicable to the period from January 15th, 1996 to April 15th, 1996 has been fixed at 5 390239 % P.A. Next Payment date : April 15th, 1996

FRF 1 362.53 per Note in the denomination of FRF 100,000 FRF 13 625.33 per Note in the denomination of FRF 1,000,000 The Principal Paying Agent SOCIETE GENERALE BANK & TRUST - LUXEMBOURG

AMERICAS NEWS DIGEST

Rockwell to sell printing press side

Rockwell International, the US electronics and defence company, is to sell its printing press business, which makes Goss and Baker Perkins presses for the newspaper industry. Rockwell said it expected a price above net asset value of slightly more than \$500m. The business had sales last year of

\$700m, and made operating profits of \$66m. Rockwell says the division is the world'e biggest supplier of newspaper presses. It has operations in the UK, France and Japan, and has a joint venture in Shanghai. It said it would focus its resources on its core businesses of electronics, car components and aerospace. The graphics division contributed 5 per cent of group sales last year and 4 per cent of operating

The business suffered from the severe recession in the US newspaper industry in the early 1990s, with profits dropping from \$119m in 1991 to a low of \$15m in 1993. Last year Rockwell brought a US anti-dumping suit against its two chief competitors, Mitsubishi Heavy of Japan and Man Roland of Germany, after losing a large order from the Washington Post to Mitsubishi. The case continues.

Rockwell also reported a rise of 25 per cent in first-quarter earnings, to 90 cents per share, on revenues also up 25 per cent to \$3.05bn (excluding graphics). This was helped by more than doubled sales of \$286m in semiconductor systems, chiefly Rockwell's high-speed V.34 modern, which is used for gaining access to the Internet. The addition of Reliance Electric. acquired last year in e contested \$1.6bn bid, had added \$0.01 to earnings per share in the quarter after finance costs and Tony Jackson, New York amortisation of goodwill.

Cargill posts sharp rise

Cargill, the privately-held international commodities marketing and financial services firm with headquarters in Minnesota, said thet growing global demand for food helped boost profits 57 per cent in the first half of fiscal 1995-96, to \$500m. Sales for the six months ended in November were \$27bn. Mr Robert Lumpkins, vice-chairman, said worldwide demand for agricultural products has been strong, but that agricultural production, particularly in the US, has lagged behind demand, and world grain supplies were at their lowest

As e result, earnings in the second half are expected to slow. and be more in line with the company's traditional performance. Cargill earned \$671m in the full fiscal year 1994-95, on sales of \$51bn.

Alcan Aluminium slips

Alcan Aluminium's fourth-quarter results in 1995 were severely hit by production losses and reopening costs following a strike at three of its Quebec smelters. The Canadian producer estimates the strike lowered net profit by about US\$70m. Fourth-quarter net profit was \$46m, or 17 cents a share, against \$48m, or 19 cents, a year earlier on revenues of \$2.18bn, against \$2.23bn.

For 1995, Alcan posted net profit of \$263m, or \$1.06 a share. including a \$280m write-down (\$1.24 e share) of its Kemano hydro electric project in northern British Columbia, In 1994, net profit was \$96m, or 34 cents. Revenues in 1995 were \$9.3bn against \$8.2bn in 1994. Excluding the charge, 1995 earnings would have been \$543m, or \$2.30. Robert Gibbens, Montreal

Heathrow hotel buy for ITT

TTT, the US hotel and casino group that recently emerged from a break-up of the ITT conglomerate, yesterday said it had bought the Sheraton Skyline Hotel at London's Heathrow airport and won the right to operate the only private casino in Athens, Greece. It also announced the acquisition of the Sheraton Cancun Resort & Towers in Cancun, Mexico, which it hought from Grupo ICA, the Mexican construction company and said it had been chosen by the Los Angeles-based Colony Capital to manage the Ritz-Carlton Mauna Lani resort - now to be re-named the Royal Orchid Mauna Lani - oo Hawali Richard Tomkins, New York

Honeywell advances 22%

Honeywell, the Minneapolis-based controls manufacturer, raised carnings by 22 per cent in the final quarter and for the year as a whole. Full year earnings were \$334m on sales up 11 per cent at \$6.7bn. The fastest growth in profits came in eviation and space controls, where recovery continued after a previous sharp downturn. Operating profits for the year were up 58 per cent at \$128m, on sales up 7 per cent.

Mr Michael Bonsignore, chairman, said international sales had grown by 19 per cent in the year, compared to domestic growth of 7 per cent.

isetan returns to attack

1. 3

Isetan, the Japanese retailer embroiled in a row with the bankrupt New York store chain Barney's, returned to the attack yesterday with a rebuttal of alleged misstatements by Barney's in the US press. Isetan said Barney's claim for the return of \$50m withdrawn by Isetan from the two companies' joint business was "totally unreasonable". It said the money was rent on three large stores owned by Isetan and operate by Barney's. It also described as "totally without any basis in fact" Barney's claims, as reported in the US press, that Isetan had agreed to hand over the real estate for the stores to Barney's in return for an equity stake of up to 49 per cent.

Boeing, McDonnell Douglas merger talks hit snag

By Bernard Gray, Defence Correspondent

Talks between Boeing and McDonnell Douglas aboot a possible merger are understood to have broken down over disagreement on the valuation of McDonnell's business and the role which its senior executives might play in any combined group. Neither company would comment yesterday.

The proposed merger, which was viewed by Wall Street as a de facto agreed takeover of Donnell by Boeing, would have created the world's largest aerospace and defence company, with a turnover of McDonnell's ailing civil air- accepted by Federal officials

However, Boeing was thought to have been unwilling to pay a significant premium to McDonnell's market capitalisation of \$10bn, while McDonnell was thought to be looking for e price of between \$12hn and \$13bn.

Wall Street analysts said yesterday thet while McDonneil had several strong fighter aircraft programmes running, its longer-term outlook was less favourable. This was likely to prepared to pay for the business. The cost of rationalising

craft operations was also thought to be substantial

In addition, Mr Harry Stonecipher, McDonnell Douglas chief executive, who joined the company a year ago, is thought to have been unhappy about the role he was offered in any merged company.

However, rumours that possible anti-trust problems in the US would thwart a merger are not thought to have detailed the talks. Analysts yesterday said that in the long run McDonnell could not sustain e presence in commercial aircraft, and this was likely to be examining any merger.

The consolidation of the defence industry, with the help of the Pentagon, was also thought to have favoured a merger between the two companies, which would have created an aircraft manufacturer able to compete with Lockheed Martin, which bought Loral last week to create a company

with e turnover of \$30bm. Senior European aerospace executives were surprised that the talks had broken down. "This makes so much sense for the US that I believe that they

merger soon. Both boasted that

they had met performance tar-

gets with e return on capital,

respectively, of 16.6 per cent

and 16.5 per cent respectively

Both banks' earnings eur-

passed even the most optimistic Wall Street forecasts.

in the latest quarter.

sooner or later," said one yesterday. He said the failed talks did not remove the imperative from European aerospace companies to rationalise to meet the challenge from the rapidly consolidating US industry.

Analysis in London agreed that an eventual merger of Boeing and McDonnell remained a possibility, but that in the meantime both companies might acquire smaller defence businesses.

A merger between the two companies would have brought together complementary operations. Boeing is strong in civil aircraft and would eliminate a weak third competitor by taking over McDonneil's

civil huginess. In defence, Boeing has long had ambitions to expand its operations, and has a good position in next-generation military aircraft with half of the \$42bn V-22 tilt-rotor programme and a third of the

\$71bn F-22 stealth fighter. McDonnell has e strong niche in current fighters and a good export market with the F 15 air superiority fighter, the F/A 18 Navy fighter, the AV-8B Harrier for the Marines and the T-45 advanced trainer. Lex, Page 12

US banks boast of meeting performance targets

By Richard Waters in New York

Mr William Siart, chairman of First Interstate, yesterday expressed a boast which is being heard increasingly often in the upper echelons of the US

banking industry.

Announcing 1995 results at the embattled Californian bank, which is currently the subject of two rival bids, he said: "We promised exemplary credit quality cost containment, judicious capital management and revenue growth.

The latest earnings figures from e number of the biggest US commercial banks, released yesterday, told a similar story. Despite decreasing loan growth against the background of a slowing US economy, the country'e banks remain at what is likely to prove the peak of their earnings cycle.

A gradual erosion in lending margins, notable in recent quarters, appeared to have levelled off. That was aided et a number of banks by a reduction in securities holdings, a e reduction in their deposit

			US BA	NKS				
			Full year:			Fourth o	poerter:	-
		Income Sm)	6			income Sm)		EPS (S)
	1995	1994	1995	1994	1995	1994	1995	1994
Citicorp	2,464	3,366	6.48	6.29	905	1,042	1.72	1.94
Nations Bank	1,950	1,690	7.04	6.06	510	405	1.85	1.46
Chemical	1,805	1,294	6.47 /	4.54	490	179	1.81	0.61
Chase Manhattan	1,165	1,205	5.72	5.84	340	229	1.69	1.10
First Chicago	1,150	1,221	3,41	3.58	126	. 315	0.37	0.93
BancOne	1.278	1,005	3.20	2.42	337	84	0.85	0.15
Bank of New York	814	749	4.30	3.70	241	201	1.12	1.00
First Interstate	885	734	11.02	B.71	215	211	2.66	2.65
Wells Fargo	1.032	841	20.37	4.78	306	215	6.29	3.96

shift which left them with e greater proportion of highervielding loans on their balance

bad debts were beginning to rise against the background of last year's rapid expansion of credit card lending, echoing a deterioration in credit quality reported at some non-bank institutions recently. However, overall credit quality measures

remained strong.

Most banks also managed to hold down, or even cut, their insurance premiums. After faildoubt owes much to his ing for several years to make attempts to fend off a hostile bid from Wells Fargo, was joined by Mr Walter Shipley, much headway on costs, last year's wave of bank takeovers appeared to prompt a number chairmen of Chemical, and Mr Thomas Labreacque, chairman of institutions to take e more of Chase Manhattan, whose aggressive approach to expense banks expect to complete a reduction.

The latest quarter's figures are flattered by comparison with the final three months of 1994, when earnings generally were weak. They reflect more modest improvements over the third quarter of 1995, reflecting the elowdown in lending

Mr Siart, whose posturing no

were boosted by a rise in trad-ing income and fees from corporate finance and loan syndications which helped lift non-interest income in the quarter by 18 per cent to Excluding a \$260m restruct-

uring charge a year ago, Chemical's non-interest expenses were reduced by 6 per cent, mainly due to one-off factors. Chase Manhattan, meanwhile, registered a 13 per cent fall in operating costs, due to one-off charges the year before and a 5 per cent fall in underlying expenses. While net income revenue remained largely unchanged, other sources of revenue climbed 12 per cent in the quarter, to \$551m, with ing and trust operations lead-

ing the way. Another bank to surpass expectations was Wells Pargo, whose earnings were boosted by a \$163m profit from the sale of a fund management business to Barclays. The San Francisco-based bank lifted its net interest margin to 6.08 per cent, from 5.53 per cent the

year before, due a shift in the' mix of its interest-earning

Like others, Wells' latest. earnings registered the effects of a sharp rise in credit card lending, which was up 28 per cent from a year before. Bad debt write-offs stemming from the credit card portfolio rose to \$66m in the quarter, from \$28m

a year before. First Interstate, whose shareholders are expected to vote within the next two, months on whether to accept a bid from Wells or rival First Bank System, also raised its-net interest margin, to 5.43 per;

cent from 5.14 per cent. Among other banks involved in mergers, First Chicago and NBD released their first results since combining last month. The figures were weighed. down by e \$225m restructuring. charge related to the merger.

The bank raised its provisionfor credit losses to \$210m in the final three months of the year, up from \$96m a year before, due largely to the sharp rise in

Dell Computer shares continue slide after profit warning

By Louise Kehoe In San Francisco

Shares of Dell Computer continued to slide yesterday after dropping more than 24 per cent in the previous two sessions. The personal computer manufacturer became the focus of investor fears of a PC market slowdown after it issued a warning of lower profit margins in the current

Dell was trading at \$23% in mid-session yesterday, down 6 per cent from Monday's close and down 29 per cent since last Dell said it expected profit

margins for the fourth quarter, which ends January 26, to tighten due to a shift towards orders from small businesses Federal budget crisis.

Microsoft buys Internet software group

Microsoft, the world's largest software company, moved to expand its role in the market for Internet software yesterday with the acquisition of Vermeer Technologies, an Internet publishing program developer, writes Louise Kehoe. The acquisition reflects Microsoft's determi-

nation to catch up with smaller rivals in the rapid growth of the Internet. The company recently announced plans to incorporate Internet features in several of its existing products. Financial terms of the acquisition were not disclosed, although industry reports suggested a price of about \$130m for Vermeer, a privately-

owned company which is based in Cambridge, Microsoft is expected to incorporate Ver-

meer's FrontPage program, which enables users to create material for publication on the World Wide Web, into its Microsoft Office suite of business applications. Microsoft Office commands a more than 90 per cent share of the US

market for business application suites.
FrontPage could quickly become the standard program for authoring World Wide Web pages, industry analysts said. The Vermeer program enables publishers to automatically create "links" in text prepared for Web pages.

large buyers. The company warning of lower-than-expected cerned results from Intel, the earnings was exacerbated by world's largest semiconductor general nervousness about the high technology sector. In par-market close yesterday, might market close yesterday, might The market reaction to Dell's ticular, analysts were con-

 Amid a broad decline in technology stocks, Corel, the Ottowa-based developer of graphics software, was also hit hard in the wake of an unexpected fourth-quarter loss. It blamed the loss on slower than expected sales of Microsoft's Windows 95 operating system to corporate customers, writes Bernard Simon in Toronto. The loss for the three

months to November 30 was US\$1m, or two cents a share, compared with \$11.2m, or 21 cents, a year earlier. Sales climbed 27 per cent to \$62.1m. However, Mr Michael Cowpland, chairman, expressed confidence that "the business fundamentals remain very sound".

He forecast e rise of between \$14.5m, or 26 cents. 25 per cent and 30 per cent in

Dell Computer

financial year. Earnings for the year to November 30 fell from \$32.5m, or 63 cents a Sales grew 20 per cent to

Crédit Agricole in Argentine buy | Travelers posts record income

By David Pilling in Buenos Aires and Andrew Jack in Paris

Caisse Nationale de Crédit Agricole, the French co-operative bank, has made its first foray into the Argentine banking system with the purchase of 20 per cent of Banco Bisel, a regional agricultural based

The acquisition, for a reported \$24m, is the latest in a flurry of activity that has seen

the rapid reorganisation of in Ambroveneto, an Italian Argentina's banking system. prompted by the flight abroad of \$8bn after Mexico's 1994

devaluation. Banco Bisel, formed last May from the fusion of seven struggling co-operative banks, is Argentina's 18th largest private institution, with assets of \$755m and 166 branches in 10 movinces.

For Crédit Agricole, the purchase follows the recent increase of ite interest

Bisel hopes Crédit Agricole will bring expertise in lending to small businesses and regional economies - e risky business in Argentina, where economic power is tending to focus on centralised conglom-

Separately, Banco de Desarrolio de Chile, of which Crédit Agricole owns a fifth, plans to buy a further 10 per cent of Bisel in the next two

months. The concentration of Argentina'e banking system, by weeding out the weakest insti-tutions, appears to be restoring public confidence. Total deposits in the system of \$45hn are virtually at pre-Mexican devaluation levels, while private economists predict that deposits could reach \$50bn by

By Maggie Urry in New York

Record earnings at Travelers Group, the US financial eer-vices company, for the fourth quarter and the full year were spurred by gains from the Smith Barney investment banking subsidiary. Results were also buoyed by investment portfolio gains and profits on sales of husinesses Net income for the fourth

quarter, including one-off gains of \$165m, was \$607m, up from \$334m a year earlier. Earnings per share rose from 99 cents to \$1.84, including 52 cents for the non-recurring gains. For the year, net income climbed from \$1.23bn to \$1.84bn, with gains up from e net \$4.6m to \$202m. Earnings per share rose from \$3.86 to \$5.51, including non-

was optimistic about the outlook for 1996, and noted the bulk of earnings came from

reliable and recurring sources. The group is acquiring the property/casualty insurance business of Aetna Life & Casualty in a \$4bn deal. It has been reorganising its portfolio with sales of its healthcare and asset management activities. A further gain is expected when the sale of Travelers' stake in RCM Management to Dresdner Bank of Germany is completed in mid-1996.

Smith Barney'a operating earnings rose from \$72.2m to \$187m in the fourth quarter, and from \$368m to \$600m in the year. Last week, Mr Robert Greenhill resigned as chairman Barney's results reflected

Mr Sanford Welll, chairman "more than robust financial and chief executive, said he markets". He said the firm had gained market share in underwritings and had improved operating efficiency. The return on equity at the broker of 30.1 per cent for the final quarter and 24.7 per cent for the year, was "among the highest in the securities industry". • Charles Schwab, the retail discount broker which recently ecquired Sharelink Investment Services in the UK, reported record net income for 1995 due to high levels of trading and a sharp rise in assets placed in Schwab'e money market funds. Net income for the year rose from \$135m to \$178m, or from

77 cents to 97 cents e share. The fourth quarter was affected by investments in new technology and services, but recurring gains, which and chief executive of Smith net income rose from \$33.8m to increased from 1 cent to 63 Barney. Mr Welli said Smith \$42.6m, or 19 cents to 24 cents a

ALTERNATION OF THE PROPERTY OF THE PARTY OF

Curação Depositary Receipts **PIONEER ELECTRONIC** CORPORATION

year-end.

The undersigned, being the Agest of Caribb can Depositary Company N.V., amounces that Pioneer Electronic Corporation has decisued a divident of Yen 7.50 per share (id.div. the financial year 1995) which will be payable as from Jamany 24th, 1996 at the office of MeesPierson N.V. This distribution, which has been converted into US dollars purposed to section 4 of the Deposit Agreement will be available to holders of CDE's against surrender of coupus 43 legs 20% Japanese withholdight gas. to the effect that per withholdight gas. to the effect that per

Depositary Shares \$ 0.590 (0.627) Depositary Shares \$ 2.930 (3.135)

The amounts stated between brackets represent the dividend less 15% Japanese ext. These dividends will be paid until February 23, 1996 but only on condition that the compose to be submidered will be accompanied by an "Affidavis" (obtainable with the undersigned), evidencing that the beneficial holders of the CDR's are traidented of a country which her consistent residents of a country which has courte a Tax Treaty with Japan. In the Netherlands dividends will be paid to residents in Duch currency at the daily rate of exchange unless otherwise instructed.

MocsPierson N.V.

OFFER ON BEHALF OF GRANADA GROUP PLC ("Granada") FOR THE OUTSTANDING 6% PER CENT. SUBORDINATED CONVERTIBLE BONDS DUE 2008 OF FORTE Pic ("Bonds")

NOTICE TO HOLDERS OF BONDS IN BEARER FORM

Lazard Brothers & Co., Limited ("Lazard Brothers") announces on behalf of Granada that a further document relating to the Increased Offer dated 16th January, 1996 has been sent to Forte Shareholders and to holders of Boads. Terms defined in the Offer Document dated 9th January, 1996 containing the Increased Offer have the

Copies of the document are symbols for collection, free of charge, from New Issues Department, Barclaya Registrars, PO Box 166, Bourne House, 34 Bedienham Road, Beckenham, Rent BR3 47H and from Lazard Brothers at 21 Moorfields, London EC2P ZHT. Copies of the document have also been sent to the Registrars of the Bonds, Lloyds Bank Registrara, at the Causaway, Worthing, West Sussex BN99 6DA, to the paying and conversion agents in respect of the Bonds, Royal Bank of Canada at 71 Queen Victoria Street, London ECAV 4DE, Internationale Nederlanden Benk (Belgium) S.A. at Rue de Ligne, B-1000 Brussels, Belgium, Royal Bank of Canada (Suisse) at Rue Diday 6, CE-1204 Geneva and Banque Generale du Lummbourg S.A. at 27 Avenne Monterey, L-2951 Lummbourg and to Cedel Bank, société anonyme at 67 Boulevard Grande Duchesse Charlotte, P.O. Box 1006, 1010 Lummbourg and Morgan Guaranty Trust Company of New York, as operator of the Euroclear system, at Euroclear Operations Centre, Boulevard E. Jacquami 151, B-1210 Brussels, Belgium with a request that they be made available for collection, free of charge, by Forte Boudholders.

The Offers and the Cash Alternative are not being made directly or into the United States, Canada or Australia, except where permitted by applicable law. Neither the new Granada Shares nor the Loan Notes have been, nor will they be, registered under the United States Securities Commission of any province of Canada. No prospectus in relistion to the new Granada Shares or the Loan Notes have been, nor will they be, registered under the United States Securities Commission of any province of Canada. No prospectus in relistion to the new Granada Shares or the Loan Notes has been, or will be, lodged with or registered by the Australian Securities Commission. Accordingly, militer the new Granada Shares nor the Loan Notes may be offered, sold, resold or delivered, directly or indirectly, in or into the United States, Canada or Australia. The attention of holders of Bonds is drawn to paragraph 6(1) and 7 of Part B of

The Directors of Granada accept responsibility for the information contained in this advertisement and, to the best of their knowledge and belief (having taken all reasonable care to ensure that such is the case), such information is in accordance with the facts and does not omit anything filedy to affect the import of such



To the Holders of

International Income Fund

HBC Fund Managers (Jersey) Limited as Manager of the above

mentioned Fund has declared the following dividend per Unit for the

Long Term Units - US\$ Portfolio

financial period ended 31st December, 1995, payable on the 31st January, 1996, in respect of Units in issue on 31st December, 1995. Long Term Units - USS Portfolio US\$2.00 per Unit - payable against Coupon No. 35

Unit holders should send their Coupons to the Manager at EBC House,

1-3 Seale Street, St. Helier, Jersey, JE4 8XL, Channel Islands or to one of the following Paving Agents:-Bankers Trust Company, 280 Park Avenue,

New York, N.Y. 10017, U.S.A Banque Générale du Luxembourg (Suisse) S.A., Rennweg 57, 8023 Zurich, Switzerland Banque Générale du Luxemboury SA.,

50 Avenue J.F. Kennedy, L-2951 Luxembourg. Arrangements have been made whereby holders of all Long Term Units - US\$ Portfolio in issue at 31st January, 1996 may reinvest the dividend paid at that date in additional units at a purchase price equal to the Basic Net Asset Value per Unit at 31st January, 1996 (as an indication, the Basic Net Asset Value per Unit was US\$32.46 on 8th January, 1996). This right will be terminated at the close of business on 29th February. 1996. Long Term Unit holders who desire to reinvest their dividend should advise the Manager accordingly when presenting their Coupons for payment.

KBC Fund Managers (Jersey) Limited Manager Dated 17th January, 1996



International Income Fund

Long Term Units - Deutschemark Portfolio

EBC Fund Managers (Jersey) Limited as Manager of the above mentioned Fund has declared the following dividend per Unit for the financial period ended 31st December, 1995, payable on the 31st January, 1996, in respect of Units in issue on 31st December, 1995.

DM 6.00 per Unit - payable against Coupon No. 2 Unit holders should send their Coupons to the Manager at EBC House, 1-3 Seale Street, St. Helier, Jersey, JE4 8XL, Channel Islands or to one

Long Term Units - Deutschemark Portfolio

of the following Paying Agents:-Banone Générale du Luxembourg (Suisse) S.A. Remweg 57, 8023 Zurich, Switzerland Banque Générale du Luxembourg SA.,

50 Avenue J.F. Kennedy, L-2951 Luxembourg. Arrangements have been made whereby bolders of all Long Term Units DM Portfolio in issue at 31st January, 1996 may reinvest the dividend paid at that date in additional units at a purchase price equal m the Basic Net Asset Value per Unit at 31st January, 1996 (as an indication, the Basic Net Asset Value per Unit was DM 105.29 on 8th January, 1996). This right will be terminated at the close of business on 29th February. 1996. Long Term Unit holders who desire In reinvest their dividend should advise the Manager accordingly when presenting their Coupons

for payment. EBC Fund Managers (Jersey) Limited Manager

Dated 17th January, 1996

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COMPANY NEWS: UK

S&N to shed 1,600 jobs in integration

By Roderick Oram,

Scottish & Newcastle, the largest UK brewer, is to close breweries in Halifax and Nottingham, 13 distribution sites and other facilities, shedding some 1,600 jobs as part of its integration of Courage, the brewer it bought for £443m in August

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"This is the last piece to fall into place and the integration is going very well," Mr Brian Stewart, S&N's chief executive.

The company is on track for annual cost savings from the merger of about £75m for a year end rationalisation charge of about £80m, as forecast at its interim results in December.

Moreover, S&N had slightly increased its beer market share despite the effort involved in melding S&N and Courage, he

In contrast, analysts noted, Carisberg-Tetley lost crucial points of market share several years ago during the merger of the brewing interests of Carls-berg and Allied Domecq. The two companies blamed the setback on regulatory delays which S&N has not suffered

with Courage. The closure of the two breweries, with the loss of about 200 jobs each, was attacked by local MPs, Mr Ian McCartney, shadow Employment Minister, and the Campaign for Real Ale. The Nottingham brewery is in the constituency of Mr Kennetb Clarke, the beer-loving

Neither brewery is expected to attract an investor willing to continue production, so the land will be sold for redevelop-

The Halifax brewery. founded in 1838 and famous for



Brian Stewart: "This is the last piece to fall into place'

agreed to produce Home ales for S&N's regional sales. Pro-duction of Webster's is likely to move to S&N's Tadcaster

Scottish Courage, as S&N'e new beer division is called, will be left with seven breweries with a total capacity of about 8m barrels. They are Edinburgh, Newcastle, Tadcaster, Manchester, Masham near Ripon, Bristol and Reading. Masham is very small, but was probably reprieved because it is the home of the popular bitter Theakston's.

Scottish Courage is cutting its 41 distribution depots to 28, but is likely to build some greenfield depots which could mean further cuts

Sales and distribution depots set to close include Stepps in Scotland, Garforth near Leeds, Gateshead, Nottingham, Preston, Aylesford, Swansea, DunPet food executives held overnight after talks with works council

French unions fight Dalgety closure

By Christopher Price in London and Andrew Jack

It was the kind of confrontation every management fears.

Executives at a pet food factory in Agen, south-west France, belonging to Dalgety, the UK pet food and animal products group, gathered the 140 employees together on Monday to tell them the business was to close.

After a day's hard negotia-tion with the works council, Mr Daniel Boulet, the plant's managing director, and Mr Bernard Manhaval, the person-nel manager, were locked in their offices and held over-

They were released invested FFr20m it could make considered a fairly high one by unharmed yesterday morning the plant profitable, while the analysts, while the company and "bravely", according to costs of closing it down would stressed the synergies of Dalgety, returned to continue amount to about FFr45m. talks with the workers. Mr Maza expressed fears

Mr Boulet said: "It was tough," describing bow about 40 angry employees had pre-vented him and his fellow execntive leaving. However, he stressed the decision to close the factory was out of his Mr Michele Maza, regional

representative of the Communist-backed CGT union, described the detention as: "Part of the normal game." Employees of the plant continued to occupy the premises last night, and have demanded the appointment of a negotia-tor. They claim if Dalgety

about sbutting down the factory at a time of high unemployment, and said that a number of politicians had expressed concern about the effect of the closure - taken by a foreign-owned company - on

The closure of the plant is part of Dalgety's rationalisation of its European pet foods business. It followed the £442m purchase of Quaker's European pet food interests last year, a move which increased Dalgety's market share from 8 per cent to 21 per cent. However, the price paid was

Quaker with its Spillers business and the cost savings that could be made. The closure of Agen was the first move in the restructuring process.

Dalgety refused to comment on wbether the problems at Agen would affect the rest of its restructuring programme. In September, the group announced that the cost s integrating the Quaker bus ness would be £60m, abo £15m more than envisag when it was purchased in F-

The combined operatis made pre-tax profits of £260 on sales of £4300 in the ye-to

LEX COMMENT

Scottish & Newcastle

Scottisb & Newcastle's acquisition of Courage has done all its competitors a favour by removing about 4 per cent of British brewing capacity. Over-capacity is not a universal problem in brewing, given production shortages for several premium beers. However, excess capacity has considerably depressed margins for standard ales and lagers. The closure of S&N's Nottingham and Halifax breweries is a sensible means of removing production where it is not needed. And while it

is positive for S&N, which is on track to rean £75m a year cost benefits from the Courage ecquisition, the closures should also be welcomed by the likes of Bass and Whitbread. The immediate outlook for brewers remains difficult. There has been significant rationalisation of pub chains and drinks wholesalers, which will be looking for better terms from their suppliers. Meanwhile, Carlsberg-Tetley is losing market share and could fight back on price.

Nonetheless, there is much more consolidation to come in

UK brewing. Smaller regional brewers will be swallowed up. and more importantly, Carlsberg Tetley is set to fall into the bands of one of its competitors.

Scottish & Newcastle is best positioned among the brewers to benefit from such change. A 1 per cent increase in net beer prices translates into a 1 per cent rise in group operating profits. Of course, a wet summer or delays in o Carlsberg-Tetley sale would postpone any up-swing. But, given recent weakness in S&N's share price, patience should be rewarded.

AT&T gains central London link

By Alan Cane

AT&T, the largest US telecommunications company, vesterday announced

an interconnection agreement with City of London Telecommunications (Colt), a three year old US-owned company which, like AT&T, was awarded a full UK telecoms operator's licence in 1994. The agreement will give

AT&T access to Colt's local network in central London, while Colt will have access to AT&T's international network.

The announcement has been expected for some months. Mr David Quinn, AT&T marketing director, said: "As part of our expansion into the UK, we have been looking at a number of operators with which to form alliances. Colt is the first local operator we bave

selected." The deal is non-exclusive and Colt has interconnection deals with nine other carriers, including Sprint of the US and Esprit, the Europebased carrier.

The agreement makes AT&T's position in the UK similar to that of British Telecommunications in the US. BT has a strategic and equity partnership with MCI, the second largest US long haul carrier.

Colt has installed mo than 100km of fibre optic bling within the M25 motorw. It is developing similar fie networks in other UK citi-

AT&T plans to comite with BT for the business coultingtional companies. It oes not expect to offer tl lowest prices, but will provide innovative service ased on the intelligence by into its

SLI wishes to thank its customers for 1995

Continuum of an Orderly Revolution.

> SLI wishes to thank its ... customers for 1995

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dynamic development

for making it a record year for our business.

1995 HIGHLIGITS

- Continued strong grow in sales and operating profits
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- Attainment of ISO Onlity Certification at all European manufacturing plants
- ▶ Completion of two sall acquisitions and agreements for a further two.
- Continued high invitment in strategic development (over 2 years):

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: up 67% - R&D and Engin≥ring Brand Investmit : up 64%

- SLI honoured in≥veral countries with awards for outstanding inn/ation and design excellence.
- Largest ever intx of talented young people.
- Employment less up another 3%.
- Strong BalancSheet with funds secured for growth.

Now we are ready for 1996 - confident that, with our customers' continuing support, 1996 will be another record year.



Norman Scoular President and Chief Executive Officer - SLI Geneva, Switzerland 12 January, 1996

Sylvania

Following the 19% acquisition and reorganisation ofhe international lighting business of Sylvia, 1995 saw a continuum of the 'arderly volution' which gathered pace in 1994.

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Now, SLI is ady for 1996. We have positioned ourselves for the economic upturn by:

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- Acing new production capacity for high technology lighting products irielgium, france, Germany, UK and Costa Rica.
- rusing investment upon growth sectors. Energy-efficient compact iorescent and halogen light sources as well as more aesthetic and fective lighting fixtures - not only in Europe but in emerging economies if the Far East, and South and Central America.

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January 1996



ANGLOVAAL MINERALS

December 1995 Quarterly Results

Copies of the December 1995 quarterly report and development results are available from the offices of the London Secretaries:

Anglovaal Trustees Limited 5th Floor 33 Davies Street

London, W1Y 1FN 17 January 1996

Fax: 0171 355 4049 Tel: 0171 355 4074

MERCURY SELECTED TRUST (SICAV) 6D, route de Treves, L-2633 Luxembourg.

R.C. Luxembourg No. B.6317 PAYMENT OF DIVIDEND

Notice is hereby given to shareholders that a final dividend for the year ending 31st December, 1995 of:

- DEM 1.00 for the European Bond Fund
 USD 0.55 for the Dollar Global Bond Fund
 DEM 1.10 for the DM Global Bond Fund
 GBP 0.45 for the Sterling Global Bond Fund
 CHF 3.95 for the Swiss Franc Global Bond Fund
 USD 0.30 for the Yen Global Bond Fund

has been declared by the Board. This dividend will be paid on 29th January, 1996 to registered shareholders of the fund who were on the register at 29th December, 1995. This dividend will be paid from 29th January, 1996 to hearer shareholders against presentation of coupon:

- No. 2 for the European Bond Fund
 No. 12 for the Dollar Global Bond Fund
 No. 12 for the Dollar Global Bond Fund
 No. 7 for the DM Global Bond Fund
 No. 3 for the Striling Global Bond Fund
 No. 1 for the Swiss Franc Global Bond Fund
 No. 20 for the Yen Global Bond Fund
- at any of the company's paying agents including its paying

Banque Internationale à Luxembourg S.A.

2 Boulevard Royal, Luxembourg from whom claim forms can be obtained

MERCURY SELECTED TRUST (SICAY)

The Financial Times plans to

publish a Survey on

Franchising

on Tuesday, March 12th.

This survey will focus on areas such as research for

potential franchises, explores sources of funding available

Lesley Sumner

Tel: +44 (0) 171 873 3308 Fax: +44 (0) 171 873 3064

and highlights the specialist help available.

For more information, please contact

FT Surveys

PERSONAL

Muary 17, 1996

PUBLIC SPEAKING

Republic of Austria

U.S. \$100,000,000

ASFINAG

enteed Floating Rate Notes due 1997

Notice is hereby given that for the interest Period from January 17, 1996 to July 17, 1996 to July 17, 1996 to July 17, 1996 the Notes will carry an interest Paylor of July 17, 1996, will be U.S. S2,818.08 and U.S. S28.81 respectively for Notes in denominations of U.S. \$100,000 and U.S. \$10,000. By: The Classe Montaline Bank, M.A.
Landon, Reference Aqual

winning speaker. First lesson tree.

Repute of Finland US\$1,0000,000 Floatinate notes due

Notice is aby given that the notes will by interest at 5.44922% arruan from 17 January 96 to 17 July 1996, Internapeble on 1996, Interlopeble on 17 July 1990, amount to US\$275.4 r US\$10,000 note and US\$27.21 per US\$250,000

Agent Mors Guaranty Trust Comp

JPMorg. To the Ho

Stichting Resetured Obligations Elect by Senior Assets 20SA 2) Pursuent to the Index dated as of January 10, 1992, ween the Perent and State Stre tank and Trust Compeny, as Trus, notice is hereby given that for interest Accusal Period January, 1996 through April 14, 1996 in rates applicable to the Secur Benior Roating Rate Notes and cured Subordinated Roating Ra Votes are 6.25938% and 6.538% respectively.

COMPANY NEWS: UK

The company is confident buying £336m worth of Forte shares is money well spent

Granada share raid fortifies its hand

By Scheherszade Daneshkhu and David Wighton

Granada increased its chances of winning its £3.9hn bld for Forte yesterday by acquiring 9.2 per cent of its target's shares in the stock market at a cost of £336m (\$517m).

Granada, the leisure, television and catering group, said the market raid underlined its confidence in victory while Sir Rocco Forte, chairman and chief executive of the hotels group, called it "a desperate attempt to restore momentum to its misguided bid".

Most analysts agreed that Granada would not have made the move if it were not confident of winning. "It was always going to be close and this should tip the balance," said one.

Shares in Granada rose strongly to close np 23p at 693p, valuing the Forte bid at 386.8p a share excluding tax credits. Granada's stock brokers, BZW and ABN Amro Hoare Govett, were offering 384p for the Forte shares which rose 14%p to close at an all-time high of 380%p, above

Under the Takeover Code, a hidder can huy up to 9.9 per cent of the target's shares at prices between the value of its cash and share offer and the full cash alternative.

Forte suggested that Granada had falled to reach its target of 9.9 per cent and claimed that 1.4 per cent had been acquired from marketmakers rather than institutions. Granada said that by stopping below the limit, it gave itself flexibility for further pur-

Meanwhile, Whitbread, the brewing and leisure group which has agreed to buy Forte's roadside restaurants for £1.05bn if Granada's bid fails, yesterday launched a fierce attack on Granada's plans for the business.

In presentations to institutional investors. Whitbread questioned Granada's understanding of the business and cast doubt on its forecast cost savines. It claimed Granada's proposals for Forte's Little Chef restaurants would boost short-term returns at the expense of longer-term sustain-



Sir Anthony Tennant, left, and John Hoerner, one of two new non executive directors at Forte

Whithread, which has an £800m-a-year food retailing business, argued that Granada's forecast of a 5 per cent cut in purchasing costs across the group was unrealistic and could only be achieved at the expense of quality. It told insti-

tutions that Granada had underestimated the problems at Little Chef which Forte had allowed to become overpriced and understaffed. Yet Granada was predicting it could save £8m on payroll and overheads.

bread's allegations saying it had done "the most detailed analysis" of Forte's business over two years and understood better than anyone in the UK". "We are entirely confident that we can deliver the

Hotel margins come under detailed scrutiny

By Scheherazade Daneshkhu, eisure Industries Correspondent

One of Granada's most persistent criticisms of Forte has been its hotels

In its final offer document published last week, Granada showed hotel operating margins of 18.6 per cent for Forte, 22.9 per cent for Stakis and 29 per cent for Mount Charlotte, the botels company controlled by New Zealand-based Brierley Investments.

Analysts say it is difficult to compare

the performance of such diverse compa-

Mount Charlotte, for example, has almost half of its hotel rooms in the strong London market, while almost all of Stakis hotels operate in the weaker provincial market.

Moreover, Porte has a wide mix of its businesses, from the hadget Travelodges, which will be sold to Whitbread if Forte survives the Granada bid, to the luxury end of the London market. However, the bid has prompted Forte

to break down sales and profits figures

Stakis showed operating profits in its botels division of £31.1m in the year to the end of September 1995 on turnover

26.8 per cent,

from the brink of collapse in 1991.

of £116m, implying profit margins of

In its final defence document, Forte

for its different brands.

profits of £51m at Posthouse in the year to the end of January 1986. Its mid-market Posthouse hotels are suggesting a profit margin of 22.3 per the segment most directly comparable to Stakis, the quoted botel company which has performed strongly under new management since pulling back

Analysts said that after making an adjustment for rent and central overbead costs, profit margins at Stakis were about 27.4 per cent and 26.8 per cent at Posthouse.

Mr David Michels, chief executive of Stakis called these comparative profit margin figures "fair" but pointed out "you'd expect a larger group to be revealed turnover of £228m and pre-tax slightly more efficient.

McKechnie spends \$50.4m in N America

McKechnie, the plastics and metal components group, is to buy Thompson Interna-tional, North America's largest wheel trim manufacturer, for

The Midlands-based company yesterday claimed that the deal - worth \$65m includ-ing the assumption of \$14.6m of Thompson's debt - would make it the world's leading supplier of wheel trims.

McKechnie is already the largest such manufacturer in Europe, while Thompson boasts Chrysler, Ford, General Motors and Toyota among its

Shares in McKechnie rose 8p to 421p on the announcement which followed almost a year of talks with DLO Invest-ments, the venture capital-acked company that owns

Mr Michael Ost, chief execure, said the sequisition would mificantly expand its pres-

e in the US market, where ast year made profits of om on sales on £77m. compson, by comparison, me pre-exceptional profits of on sales of \$73.3m in the

yeto March 31. Lechnie also plans to use

Thoson's plants in Sonth Carpa and Kentucky to man-uface plastic tube assem-bles which it currently pro-duces Europe.

'Mad cow disease' hits Sims beef sales

By Patrick Harverson and Alison Maittand

Sims Food Group yesterday warned it was unlikely to pay a final dividend this year because the latest scare over affected its beef sales.

Demand for beef fell at the end of last year following renewed media speculation that people eating beef could be infected with bovine spongiform encephalopathy (BSE),

commonly known as mad cow

supplier to issue a profits warning because of BSE. Mr Stephen Collier, finance director, said sales of fresh beef products before Christmas

fell 10-20 per cent. Analysts yesterday lowered forecasts for Sims' profits for the year to March 31 from \$2.5m to about £800,000, against

tion that affects cattle and is said BSE would only be partly to blame. An inability to pass on higher prices to customers Sims is the first leading meat bad also cut profits.

However, there are signs that the latest BSE scare - the first was in 1988 - may be easing. The Meat and Livestock Commission yesterday said beef sales were recovering. It does not yet have firm figures but said: "The indications from retail outlets are that beef is on

the way back - people are ask-

the degenerative brain condi- £2.82m last year, although they ing for it again. The recovery may be happening more quickly than we thought,"

But Sims may be out of the business by the time sales recover. In November, after a sharp drop in interim profits to £150,000 (£1.2m), it announced plans to sell its fresh meat operations. Yesterday, Mr Collier said it was in talks with several possible buyers and he boped a deal could be announced before March 31. The shares fell 5p to 2Sp.

Peoples Phone postpones flotation blaming poor sales over Christmas

By Christopher Price

Peoples Phone, the mobile phone retailer, yesterday postponed its proposed £200m (\$308m) flotation, blaming poor

sales over Christmas. The group said the "UK mobile phone market did not meet market expectations in run up to Christmas and this has adversely affected market sentiment". It also blamed "highly competitive

The move was seen by analysts as a reflection in the changing fortunes in the mobile phone market, with Peoples Phone having strong ties with Vodafone which has been seen as the chief casualty

market. In particular, competitive pricing by Orange, the newest entrant in the 5.5m-strong

in an increasingly competitive

offers from other retail-

mobile phone market, has won a growing share of new sub-Orange is expected to he floated on the London Stock

Exchange in March. Peoples Phone is both a service provider, selling air time on behalf of Vodafone and Cellnet, the two largest mobile phone groups, and retailer with a chain of 175 showrooms. Both Orange and Mercury One-2-One, the fourth operator, sell

directly to customers, by-pass-. ing the service providers. Vodafone said yesterday it was unaware of poor sales at

Peoples Phone, arguing that 1995 had been Vodafone's best year for sales. Orange attracted 50,000 subscribers to its digital network in December, well ahead of analysts' expectations. The company claims a total of 380,000 digital subscribers, only 20,000 behind Vodafone.

			_				****		- Dividenda -		
	Tierner	er (531)		t (Em)		5 (5)	Current payment (p)	Date of payment	Corresponding (Dvideod	Total for	Total ion
Alexanders Yr to Sept 30 Debenham Tewson 5 miles to Oct 31 Farepaik 7 Breshmin Companies 77 to Oct 31 Microgen 77 to Oct 31 Duality Care Homes 77 to Oct 31 Earnings shown basic. Dividends shown net. F	113.4 27.8 16.8 7.9 69 17	(110.9) (28.1) (9.04) (6.51) (58.8) (12.5)	0.221♥ 0.937 0.954L 1.28 8.38 4.81	(0.935) (1.79) (1.13L) (0.71) (6.17) (3.73)	0.61 1.22 2.36 14.6 27.45	(2.29) (2.65) (-) (1.32) (10) (20.43)	0.3 0.6 2.45 0.38 5.2 3.3	Apr 10 Feb 20 Feb 19 May 2 Apr 9 Mar 11	0.7 1.5 2.15 0.3 5.05	0.3 0.38 7.5 4.95	1 35 7.7 0.3 7.25 4.5

The Financial Times plans to publish a Survey on

Credit Management

on Tuesday, March 5th

For an editorial synopsis and information on advertising opportunities please contact: Melanie Miles

> Tel: 0171 873 3349 Fax: 0171 873 3064

FT Surveys

THE TAX FREE WAY TO PLAY THE MARKETS"

This announcement appears as a matter of record only-Alpha Finance Corporation

Limited

US\$500,000,000 Euro Medium Term Note Programme

US\$500,000,000 Euro Commercial Paper Programme

Beta Finance Corporation

US\$10,000,000,000 Euro Medium Term Note Programme

US\$10,000,000,000 Euro Commercial Paper Programme

Cititrust (Bahamas) Limited ("CBL"), which has acted as the investment manager to Alpha Finance Corporation Limited since 1 September 1989 and to Beta Finance Corporation since 12 September 1989, has been replaced in that capacity by Citibank International plc ("Citibank") with effect from 9 January 1996. From this date, all services previously rendered by CBL will be performed by Citibank.

For further information regarding this change, please contact Paul Stephens or Tessa Hoser at Citibank International plc, P.O. Box 242, 336 Strand, London WC2R 1HB.

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COMMODITIES AND AGRICULTURE

world feedgrain market

By Laurie Morse in Chicago

The US Department of Agriculture yesterday raised its estimate of demand for US maize and reduced of last year's US aoyabean harvest estimate, further tightening its forecast for world feedgrains Supplies in general. Coarse been near 15-year highs based on projections that last sea con's harvest is barely large enough to meet world demand.
The USDA report said US maize exports and domestic demand would increase from previous projections, leaving just 507m bushels of the grain in surplus at the end of the <u>c</u>rop year. That is down sharply from last month's pro-

By Kenneth Gooding,

Mining Correspondent

Anglo American Corporation

of South Africa is stepping up

its initiatives to save Zambia'a

copper industry. Anglo started

talks yesterday in Londoo with

Zambian government officials

after reached an understanding

tium to develop the Konkola

Deep project, expected to cost

This scheme was rejected by

ause it would relegate Zam-

he government two years ago

bia Consolidated Copper Mines,

the state-controlled group that

owns Konkola, to a minority

role, ZCCM instead called in Nikko Securities, the Japanese

financial services group, to

raise money for the project.

urgently needed because

2.CCM's other mines are near-

Analysts suggest that poten-

tial investors were put off by

ZCCM's existing US\$640m of

debt. Since ZCCM was nation-

alised its copper ontput has

about US\$600m.

ing exhaustion.

that it should lead a consor-

call the grain merchandising "pipeline" primed.

Analysts said that in order to ration stocks at viable levels, maize futures in Chicago will have to rise to between \$3.90 to \$4.10 a bushel, which would be expected to dampen animal feeding demand.

For soyabeans, a high-protein animal faed, the USDA reduced its crop estimate, dropping this spring's ending stock estimate to 190m bushels from last month's 215m.

Despite what traders deacribad as a "marketfriendly" set of statistics, grain futures prices at the Chicago Board of Trada tumbled. "The report was obviously favoura-ble for corn [maize] and soya-bean prices," said Mr Dick

"With falling output and cop-

per prices this year widely expected to fall, the govern-ment could see a danger that,

just as elections were taking

place, ZCCM might be going

bust," said Mr Michael Coul-

son, analyst at Nedcor Securi-

ties, part of the South African

banking group. "But the fact that Konkola will be a year

late in getting under way is

not necessarily disastrous for ZCCM. If other companies can

be encouraged to put money in, the other ZCCM mines

could be operated more effec-

tively and could temporarily

make up the fall in output

from Nchanga [ZCCM's most

Anglo has a vested interest

important minel

too low to keep what traders Smetana, research director for the analysis firm AgResources. However, the market seems to be putting aside the US situation and focusing more on what's bappening in Latin America, where the next harvest will be."

Mr Smetana said weather in Brazil and Argeotina appears to be promising a more normal crop than thought just a month ago. In mid-afternoon trading, maize for March delivery was down 8 cents at \$3.57 a bushel and March soyabeans were 7 cents lower at \$7.371/2. In a separate report Tuesday, the USDA said US farmers had planted 52m acres to winter wheat last antumn, a 7 per cent increasa over last year and the largest acreage since

Angle already has indicated that another South African

mining group, Gencor, is likely

to join the Konkola consortium

and a government official said the Industrial Finance Corpo-

ration, a World Bank offshoot,

would also be involved. Mr Jim

Steel, analyst at Ord Minnett,

the stockbroking affiliate of

Jardine Matheson, soggests

that "other members of the

consortium are likely to be

those owed money by ZCCM

such as Mitsui, Mitsubishi and

the Commonwealth Develop-

The Konkola talks this week,

in which the Zambian govern-

ment is being advised by the N

M Rothschild merchant bank,

are expected to focus on the

tax regime, joint venture terms

(there are suggestions that

Anglo wants to swap ZCTs 27

per cent stake as part of its

contribution), protocol and

ZCCM's asset contribution.

ment Corporation".

rier.
"There was a synchronic of ecolor alowing down of ecomic Zambian copper rescue talks begin activity in the base meta con-suming areas for the firtime in three years in the finduar-ter of 1995," Mr Wiktor elski, ducer. A bigger stake in a revived ZCCM would also fit analyst at Bain & Capany. the Deutsche Bank su points out. "So pricestarted about 20 per cent bow the levels the bulls bod they well with Anglo's aim to move from being the world'a fifth largest copper producer to one of the top three positions.

the US\$400 a troy ounce

"Then the funds iled in, saying to themselv Wa are going to short the markets and no one will sid in our way. They were rit. No one did stand in their Ay." Mr Philip Croson, chief

economist at RIZorporation, the world'a bigst mining company, says tiffunds could pose a big threefo base metals producers in 196.

"Their actives could be damaging for c or two metals [by driving own prices to excessively loflevels]. Funds don't care wither prices go don't care wher prices go up or down hey just want

volatility."
The present of the funds is another regider that today metals marks are no longer swayed ju by supply and demand a stock statistics. Sentimen is playing an increasing art. Changes in sentimentan have a huge impact of these small mar-

174 2,501 42 2,492

1,000

725.00 713.50

US forecasts still tighter | Analyst predict volatile year for metals

The activities of helge and commodity funds may add spice, writes Kenneth Gooding

etals prices are expected to be more	(US cents a por	ALYSTS' FORECA	STS FO Ls, US	R AVER	AGE PR	NICES I	N 1996 or prec	ious me	etais)	
▲ V ▲ volatile than ever this year because of the activi-		Akuminkan	Copper	. Lead	Nickel	. TJn	Zinc	Gold	Platinum	Silve
ties of the US bedge and com-	ain & Company	95	135	38	500	340	55	395	425	5.7
modity funds. Only a few days	letton Metals	75	105	34	400	300	50	n/a .	ń/a	n/
of the new year have passed		78	110	29	. 380	310	49	400	440	6.0
but the influence of the funds		. 86.8	115	32	370 -	341	52 -	n/a	. n/a	. n/s
in the metals markets is		76	110	35	450	n/#	45	410	n∕a.	5.5
กระการ กระการ ข้างครา	GNI	. 62	109	ก/ล	n/a	n/a	IV8	∵ t√a	n∕à	
On the London Metal	Hambros Equities	82	124	35	425	335	51	398	435	5.2
Evakovan kasa matala missal	I. Moare & Company	77.5	120	31	500	300	50	410	425	5.5
have been under downward	Macquarle Bank	85	110	34.5	405	302.5	50	n/a	n/a	n/
DO AS DEST TITLES COMTASTA	Merrill Lynch	. 100	135	35	425	285	50	385	n/a	5.5
pressure as the funds have soll	Metal Bulletin Research	. 86	, 108	36	400 -	310	- 49	n/a	· n/a	n/
short – sold metal they did no	Ord Minnett	85	110	38	425	350	50	405	450	62
own in the expectation the	RBC Dominion Securities	85	120	30	425	300	55	400	430	5.5
	Richardson Greenshields	97.5	145	30	575	n/a	52.5	395	n/a. 425	5.4 5.9
could buy at the lower les	SBC Warburg	95	110	33	435	336	52.5	410	410	5.5
and pocket the difference.	David Williamson Associates	78	115	33	375	300	47	420 375	n/a	5.8 5.8
the gold market the funds ud	Rudolf Wolff	84	113,4	30.6	406	295	52	315	[VZ	5.00
options trading in an unic-	1995 Actual average	81.9	133.1	28.6	874	282	46.8	384.1	424.1	5.21
cessful attempt to drive he	1994 Actual average	67	104.7	24.9	288	248	45.3	384	405	5.2

kets." says Mr Dan Rolling, a first vice president at the Merrill Lynch financial services group. This is just one factor that makes metal markets much more complex. According to Mr Roling: "Commodify markets are no longer controlled by producers and con-sumers but by financial organi-

sations as well". Both Mr Bielski and Mr Roling are among the base metals bulls. Mr Bielski is confident that the depressing impact of the investment funds on prices will "wash through by the sec-ond half of this year". Mr Roling says Merrill Lynch remains very optimistic about global economic activity – on which metal usage depends heavily – remaining healthy. Europe should see a "soft landing" even if activity is easing, the US is expected to remain buoy-

r Crowson at RTZ suggests, however, that global economic r Crowson at RTZ prospects are not as bright as they seemed three months ago. Even growth among the "Asian tigers" is slowing. He also insists that sentiment among share traders on Wall Street will be a key factor

in the fate of LME metals

prices this year. "Sentiment on

ant and Japan "Is picking up

Wall Street influences both consumption - through housebuilding and motors - and capital spending - the big driver of metals demand." Mr Crowson points out that, despite tremendous economic growth in Asia, the US still accounts for one fifth to one quarter of world metals consumption "and it is the region that drives, rather than simply

influences, prices" Mr Crowson predicts that demand for metals will rise in 1996 and supply will risa to meet demand. Prices are likely to be in line with production costs. "In the main, prices will slip sideways or move up a bit. Except for copper, which will

Only two of the 14 analysts volunteering to take part in the Financial Times's annual survey of metals price forecasts disagree with Mr Crow-son's assertion that copper's average price this year will be lower than in 1995. Mr Roling says that, only if global economic activity turns out to be much weaker than Merrill Lynch is predicting, would he expect his copper forecast to be on the high side. "The copper market is in balance and we are more likely to see interruptions to supply rather than over-supply this year.".
In contrast, Ms Karen Nor-

ton and Mr Angus MacMillan, analysts at Billiton Metals, a Gencor subsidiary, who are much more bearish about copper, say that, while prices might indeed spike in the first quarter, "in all probability this would prove to be a short-lived affair and the cash price would no doubt slump soon thereaf-ter. The only certainty is that [copper] production will contimue its seemingly inexorable rise while demand is expected to undergo a period of somewhat slower growth". Navertheless, Billiton's forecast that

leave many producers heart-There is a big split of opinion about aluminium prices. Just over one third of the analysts contributing to the survey suggest the average price this year will be lower than in 1995. This split is caused by differing views not only about future economic activity but also about just how quickly some of the big aluminium producers will re-start capacity they shut down during the severe slump in prices caused by the sudden surge in exports from Russia. On the other hand, nickel

prices this year are almost uni-

versally expected to be above

copper prices should average

about 105 cents a pound (\$2,814

a tonne) this year will not not

the biggest consumer of nickel and there is a great deal of new stainless production capacity about to come into operation. But no new nickel capacity can be expected for at least two

"The guys who will get ed as a result of this will not be the nickel producers but the stainless producers," suggests Mr Ray Goldie, analyst at Richardson Greenshields, the Canadian stockbroker

All the analysts aurveyed expect LME tin and zinc prices this year to be above the average for 1995. And, while no one is super-

bullish about gold's prospects this year, seven out of the 12 analysis who made a forecast expected this year's price to average \$400 an ounce or more. Mr Nick Moore, analyst at Ord Minnett, the stockbroking affiliate of Jardine Fleming, reflects the general mood by saying: "We at Ord Minnett have always held that this cycle would be boom, bust, readjust for metals, not boom, bust, boom. By the middle of 1996 the present re-adjust phase should be completed, setting tha scene for markedly better [base metals] prices in 1997". He adds: "Precious metals have established firm price

bases for the forecast gains

dropped from a peak of 700,000 in ensuring ZCCM survives tonnes in 1969 to only about because its Zambia Copper Investments subsidiary owns 300,000 tonnes last year. COMMODITIES PRICES BASE METALS: LONDON METAL EXCHANGE M ALUMINIUM, 99.7 PURITY (\$ per tonne 230,558 M ALUMINOUM ALLOY (\$ per tonne Close Previous High/low AM Official 1430-35 1440-45 1440/1430 1395-1405 Kerb close LEAD (\$ per tonne) 701-02 690-91 Previous High/low AM Official 31,920 12,113 NICKEL (S per tor Close Previous High/low AM Official Open int. Total daily turnover 13,189 TIN (S per tonne) High/low AM Official Kerb close 15.021 ZINC, special high grade (5 per 1038-37 1033.5-34.5 1040/1030 1011-12

Previous High/low AM Officia ■ COPPER, grade A (5 per tonne 2534-39 2583-85 2558/2550 2553-54 Łligh∕kow AM Olfickal IME AM Officiel E/S rate: 1.5413 LME Closing E/S rate: 1.5383 Spot. 1.5376 3 mms. 1.5346 6 mms. 1.5313 9 mms. 1.5278 III HIGH GRADE COPPER (COMEX) 114.00 +0.90 115.10 114.00 288 114.05 +1.10 114.50 113.20 56

PRECIOUS METALS ■ LONDON BUILTON MARKET (Prices supplied by N M Rottschi 397.10-397.50 397.60-398.00 398 00-398.40 396.70-397.10 Đay's High rus close 394,80-395.20 3 months Silver Fix 353 90 358 95 363 80 373 80 552.35 558.70 571.20 6 months Gold Coine Krugerrand Maple Leef S price £ equiv. 257-259

Precious Metals continued M GOLD COMEX (100 Troy oz.; \$/troy oz.) 396.5 +2.8 - - 8 - - 396.8 +2.7 396.9 396.3 32,344 95,690 400.6 +2.9 400.8 396.0 4,059 25,171 402.4 +3.0 402.8 399.6 1,390 26,682 404.1 +3.1 403.4 403.2 400 6,984 405,5 +3.1 - 402.2 133 4,163 39,285 211,891 M PLATINUM NYMEX (50 Troy oz.; \$/troy oz.) M WHEAT CET (5,000bu min; c/60th bushel) 418.8 +4.6 - 415.4 5 4 4226 +46 4220 4220 4243 +46 4235 4235 4259 +46 1,324 22,864 PALLADIUM NYMEX (100 Troy oz.; \$/troy oz.) 132.85 +0.65 133.50 132.20 571 5,963 134.35 +0.65 - 52 882 138.85 +0.85 - 133.00 38 30 861 8,285 +42 - 4 17 +42 551.0 544.5 12,583 61,796 +42 555.5 550.0 675 11,342 +42 560.0 555.0 230 7,920 +41 564.0 559.5 63 8,910 +40 569.0 567.0 75 5,540 **ENERGY** ■ CRUDE OIL NYMEX (42,000 US gails, \$/barrell -0.35 18.75 17.75 90,581 50,144 -0.34 18.38 17.40 29.538 82,061 -0.36 18.07 17.30 12,540 39,779 -0.29 17.88 17.15 4,264 28,056 CRUDE OIL IPE (S/barrel) Latest Day's price change HEATRIG OIL MYMEX (42,000 US galls.) Frice change light ca-52.55 -0.75 54.10 52.20 22.397 39,131 51.50 -0.54 52.90 51.20 11.005 28,467 49.30 -0.49 56.50 42.00 5.497 11.323 47.50 -0.59 48.00 47.60 729 6.711 46.90 -0.64 48.00 48.65 1,405 9.238 47.90 +0.46 47.90 47.90 1,061 5,144 43,815 112,229

1.910 _0.105

GRAINS AND OIL SEPS WHEAT LCE (E per tonne) Mar 480.00 -16.00 495.50 47 10,208 51,630 453.50 -15.00 489.00 4/0 1,970 10,331 415.50 -12.75 438.00 400 3.511 30,308 415.50 - 430.50 400 235 5,987 428.50 -12.50 438.00 900 536 2,791 376.50 -8.50 389.50 000 17 136 292.25 -6.50 30 292.00 BARLEY LCE (E per 1 115.40 +0.40 70 116.00 116.15 +0.15 50 116.00 117.50 -0.10 80 117.75 SOYARFANS CRY Older min; cents/60th bushed SOYABEAN (CBT (60,000lbs; cents/lb) 23.75 55 24.35 23.72 24.05 38 24.56 23.91 24.36 38 24.52 24.23 24.74 37 25.16 24.66 24.66 23 25.25 24.65 24.66 23 25.45 25.02 SOYABEASEAL CBT (100 tons: \$/ton) 222 -30 238.5 272.0 955 1,34T 234 -29 242.0 234.8 6,770 55,130 22 -26 243.0 235.7 1,839 15,220 27 -24 242.5 225.0 534 14,511 27 -15 238.0 222.5 115 2,529 28 -1.4 232.0 226.5 15 1,903 ... POTATS LCE (Excrine 1505 1365 1420 154.25 +1.75 155.25 153.50 5,706 11,851 151.50 +1.50 152.25 153.00 2,786 5,753 150.00 +1.75 151.00 149.75 903 2,433 149.25 +1.75 150.00 149.70 325 4,282 149.25 +1.50 150.00 149.00 326 4,282 23,240 81,848 MATURAL GAS NYMEX (10,000 mmBlu.; S/mmBlu.) Latest Day's strice change 2070 +0.053 2110 1.925 31.287 32.341 6,240 25,326 6,575 14,685 2,454 13,255 1,325 10,503 1 050 1,780 1,740 1,740 1.800 +0.017 1.780 +0.033 1.770 +0.028 1.780 +0.033 1.820 1.740 2.754 13.255 1.770 +0.028 1.820 1.740 1.325 10.603 1.770 +0.028 1.820 1.740 1.325 10.603 1.780 +0.041 1.810 1.740 1.520 8,913

European free market from Metal Bulletin per la in warehouse unless otherwise stat per lb in warehouse unless otherwise stated. (List weeks in brackets, where changed) Auti-mony 93.6% \$ tonno 2650-3625. Bismoth tonno lots 3.95-4.25. Cadmium 99.95% 180-185 csr/b Cobelli MB tree market 99.8% 32.25-33.50 (31.75-33). 99.3% 28.25-28.90 (27.60-28.60). Mercury min 99.39% 5 per 76th fask 150-170. Molybdenoum Charmed molyb-dic oxide 4.30-4.45 (4.30-4.50). Sejanium min 0.665 3 pp.4.50 (3.50-4.50). Sejanium min 0.665 3 pp.4.50 (3.50-4.50). 99.5% 3.80-4.50 Tungston Ore Std mm 65% S per tonne unit (10kg) 50-58 (55-62) Vanadium min 98% cif 2.95-3.10. Uranium Nuevco

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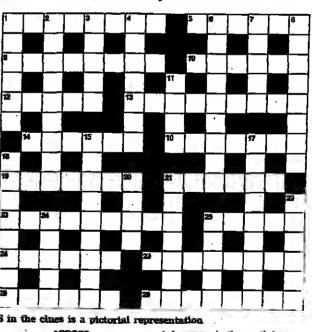
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SOFTS MEAT AND LIVESTOCK ■ COCOA LCE (E/tonne) IN LIVE CATTLE CME (40,000fbs; cents/fbs M COCOA CSCE (10 tonnes; \$/tonnes) +5 1283 1272 9,940 37,381 +6 1313 1294 3,401 20,831 1316 585 1337 227 1370 32 1386 208 ■ COCOA (ICCO) (SDR's/tonne) TOFFEE LCE (S/tonne) -14 +6 -2 -3 -10 1921 1776 1626 1567 1925 1783 1870 198 1,315 1715 3,118 17,027 34 502 5,069 33,741 COFFEE 'C' CSCE (37,500fbs; cents/fbs 163.90 +4.95 105.25 97.75 6,128 17,227 103.20 +4.55 104.25 95.50 1,730 6,432 163.10 +4.50 104.00 95.25 443 2,160 103.00 93.95 14.95 103.00 93.95 14.95 103.00 93.95 14.95 103.00 93.95 12.95 103.00 93.0 COFFEE (ICO) (US cents/pound) 10.90 -10.79 -0.65 10.79 -0.65 10.79 -0.65 3545 -10.3 363.5 353.2 1.843 11,822 333.7 -8.6 346.5 338.0 1,849 8.452 324.2 767 4.845. 300.3 -8.2 306.2 301.5 254 3.830 230.9 -5.7 239.9 235.0 109 2,222 232.9 -5.7 239.0 235.6 102 485 10.87 -0.90 11.85 10.80 7.937 86.585 10.59 -0.65 11.20 10.55 2,028 27,836 10.00 -0.49 10.42 8.99 755 12.25 9.81 -0.41 10.16 9.80 309 19.866 9.57 -0.33 9.56 9.65 59 11,653 9.53 -0.33 9.50 9.70 19 1,736 COTTON NYCE (50,000lbs; 82.04 -1.21 84.00 82.00 2.478 21,708 81.40 -1.10 83.20 01.40 808 11,505 80.87 -1.08 82.70 80.81 221 7,494 78.23 -0.45 78.70 78.10 9 1.606 78.37 -0.55 77.10 78.07 -223 11,044 77.28 -0.52 78.00 78.00 - 988 117.65 +1.35 119.00 114.50 1,133 16,142 120.25 +1.35 121.30 117.25 608 3,072 122.40 +1.30 123.00 119.00 375 1,273 124.40 +1.30 122.10 122.10 1.0 1,104 123.25 +0.65 122.25 122.00 - 352 +1 00 124.25 122.50 Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CST, INDICES H RELITERS (Base: 18/9/31=100)

65.675 -0.690 65.525 65.550 5.575 26.916 65.875 -0.590 86.475 85.500 2.045 13,416 62.950 -0.225 62.500 815 12,070 61.200 -0.225 62.500 82.500 290 4.627 62.460 -0.125 62.750 82.400 290 4.627 62.600 -0.225 92.900 62.575 104 2.710 48 77.154 77.154 77.154 77.154 77.154 77.154 77.154 LIVE HOGS CME (40,000lbs; cents/lbs) Feb 48.000 +0.475 48.200 45.400 1,683 10,831 Apr 45.525 +0.175 45.000 45.400 1,683 10,831 51,725 +0,250 51,800 51,350 51,355 +0,025 51,550 51,276 50,500 +0,050 50,600 50,350 46,650 +0,050 46,800 46,600 \$3.625 +0.375 \$3.900 \$3.100 1,124 3,824 \$4.125 +0.350 \$4.300 \$3.500 430 1,277 \$5.175 +0.475 \$5.275 \$4.550 123 814 \$5.850 +0.130 \$5.950 \$3.350 83 786 \$6.700 +0.400 \$3.850 \$3.350 14 185 Feb Mar Play LONDON TRADED OPTIONS Strike price 5 tome Apr 118, 66 34 COFFEE LCE May 30 25 21 III BRENT CRUDE IPE LONDON SPOT MARKETS CRUDE OIL FOS (per berral/Mar) \$16.42-6.49w \$17.73-7.77 \$17.18-7.20 \$18.23-8.25w ■ Oil PRODUCTS NMEprompt delivery CIF (toone). \$397,30 545,5c \$416,50 119.0c -6.0 Lend (US prod.) -0.03 Cattle (live weight)†
Sheep (live weight)†
Pigs (live weight)† 119.75p 119.96p 103.81p -2.95 Lon. day sugar (raw) Lon. day sugar (wis) \$313.5 \$384.2 Barley (Eng. feed) Maize (US No3 Yellow) Wheat (US Dark North) 150.5z Unq -0.5 Rubber (Feb)* Rubber (Mat)* Rubber (RQ, RSS No1) 106.50p 106.50p 397.00m +1.00 +1.00 **-**1.50 Coconut Oil (Philips Paim Oil (Maley.)§ \$700.0y \$537.5y 451y 210.0 +2.5 +5.0 Jan 16 Jan 15 month ago year ago 2097.3 2101.2 2114.4 2243.7 Soyabeans (US) Cotton Outlook'A' Index M CRS Futures (Base: 1967=100)

the 1995 level. Stainless steel is JOTTER PAD enjoy vo Admire, appreciate, bask in, be happy in, delight in. If your electricity bill is over £12,000 ps, switch to an Eastern construct and you falls to Eastern for a botter deal 0800 99 77 55

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ACROSS
1 Being good? "Let's 9 Light-bearer sees politician leading his leaders into the (5) 8 Inserts writer of S'a (8) 11 S on a point that will sting (4) 15 Aforementioned S discovers cork in bag (4,5) 17 Expert flier takes one on trial

stitched up (6)
12 S for summer (5)
13 Go into detail to raise spirits, catching wild boar (9)
14 Trainers etc, for James (say) and Christopher (3.3)

16 Mine's a gesture of approval maybe for tap work? (7)

20 Be not recorded (4)

21 Part of river put into drink (7)

22 Island, namely, also hits of

(7) 21 S of the flying circus (6) (5)
25 Relating to heredity, often after photo (5) 23 Conservative leader in preda-tory bid to go underground 26 Namibian using eggs to dis-perse mob (6) 27 The last one in Pisces is dis-

28 Trouble holder, King (a bit ng stories against Arnerican lawman (8) DOWN 1 Soothing stuff to raise graduate's laboratory (6) 2 S to make exaggerated representations of a teetotal commercial (9)

OVERPRODUCTION

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T C E A I I E S

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اصكذا من الاعط

Renewed talk of rate cuts helps German sector

By Martin Brice In London and Lisa Bransten in New York

Government bonds powered ahead yesterday, with a number of European futures contracts breaking through key resistance points. Although US Treasuries recovered some of last week's losses in early trading, they underperformed German bonds, which were helped by renewed talk of rate cuts. The weakness of the D-Mark against the dollar helped other European currencies, bolstering the French and high-yielding markets.

■ German bonds were helped by comments from Mr Hans Tietmeyer, Bundesbank president, that there was room for further interest rate cuts. The yield on benchmark twopoints to 3.43 per cent and on to 4.55 per cent, while on 10- that investors sell French 10-year paper by 4 basis points year bonds it fell 9 points to bonds or Ecu bonds, and by to 5.84 per cent, while the yield spread of bunds over 10-year Treasuries tightened from 6 to 4 basis points. On Liffe the March 10-year bund future closed at 100.95, up 0.45.

Mr Karl Haeling of Deutsche Morgan Grenfell in Frankfurt said: "The markets are overbought, but that doesn't mean they can't get more over-

■ Frencb bondo advanced strongly on bunds, with the 10year yield spread over Germany moving in from 64 to 55 basis points. The 10-year futures contract broke through two key futures resistance points, at 122 and 122.20, to close at 122.62, up 0.18. In the cash market the yield on two6.55 per cent.

Mr Dominique Barbet, head of French bond market The yield spread over Ger research at Paribas Capital Markets, said spread trades between Germany and France had been a feature of trading.

GOVERNMENT BONDS

"We saw quite strong buying at the same time as selling of the bund contract," he said, but warned that some correction is now likely at present price levels.

Mr John Hall, head of European economic research at SBC Warburg, said the markets were "far too bullish on France" and is recommending

Spanish and Italian paper.

many on Italian 10-year bond moved in from 466 to 455 basis points, and on Spanish bonds from 353 to 347 points.

day, taking their cue from bunds and helped by US huying. The March long gilt future on Liffe surged past the 1114 resistance level to close at 1113. up 5. The 10-year yield spread over Germany fell from 166 to 163 basis points.

Mr David Hands of Williams de Broë said: "There may be some more upside, but some of the figures over the next week may trip us up." The PSBR figure is due out today, with earnings and unemployment data.

sales figures and a stronger in retail sales recorded last dollar helped US Treasury prices to recover from last same-store sales last week week's losses in early trading yesterday. The Treasury mar-ket was closed on Monday for Martin Luther King day.

Near midday, the benchmark 30-year Treasury was 🖁 higher ■ UK gilts also had a strong at 110% to yield 6.108 per cent, day, taking their cue from while the two-year note was & tronger at 100%, yielding 5.096 Bonds were mostly higher as

w York trading began, in it because Mr George Soros, closely followed US hedge fit manager, said he expec-te the dollar to continue to stigthen against the yen. early trading yesterday theoliar was changing hands at 05.70 and DM1.4590 com par with Y105.29 and DM195 late on Monday.

NEW INTERATIONAL BOND ISSUES

Also helping bonds was a dip week. According to Mitsubishi, were 1 per cent lower than sales for the same period a

year ago. There was little reaction to stronger than expected figures oo November housing starts. According to the Commerce Department, bousing starts climbed by 5.7 per cent in November, but the information was looked at as very old news.

The housing figures were only the second set of official data released since govern-ment statisticians returned to work. The government had been partially closed since mid-December amid wrangling between President Bill Clinton and Republicans in Congress over bow to balance the federal budget by 2002.

Structured finance in Australia 'to expand sharply'

Australia's structured finance market is forecast to expand sharply in the current year, with around A\$50n of securitles issued, according to a report from Moody's Investors Service, the US-based ratings

agency.

Moody's attributed its optimism to the belief that the mortgage-backed securities market, which took off in Australia last year, will remain extremely active.

"If the major and regional banks, not traditionally active in the securitisation market, decido to enter the market as expected, volumes could well oxceed this figure [A\$5bn]), based on high MBS issuance."

it said. It added that if new assetbacked commercial paper programmes came to market. CP issuance could also boost overall volumes. However, it noted that growth in the asset backed CP market bad not been as rapid as anticipated in 1995, and that domestic Australian dollar issuance remained relatively low.

The report calculated that total new issuance of mortgage-backed securities rose sharply to A\$3bn last year.

Macquarie Bank's PUMA unit leading the way.

The surge is largely attributed to shifting trends in the home lending market, as customers have moved away from

.

traditional sources of finance to cheaper, specialist suppliers, such as Aussie Home Loans. Moody's also suggested that investment demand for mortgage-backed securities had increased, as investors came to grips with the credit risks and

issuers tailored products to meet investors' requirements. "Issuers generally report that there has been a marked increase in the number of investors in 1995, with a corresponding increase in first-time investors in MBS," it said.

The agency played down sug-gestions that the slowdown in Australia's housing market would curtail the structured finance market's growth, but warned that "as competition between lenders intensifies, loan quality may start to deteriorato as lenders fight to maintain their market share and profit margins".

It noted that there has

already been signs of loosening credit standards for home loan approvals, with some lenders providing mortgages with increasingly high "loan to

double the level of 1994, with

Repsol prospectus today

and chemicals group in which the government is selling a further 11 per cent through a global offering, is expected to publish its prospectus today,

Amonia Sharpe writes. The issue, set to raise about Ptal30bn or \$1.07bn at current prices, will take place at the end of this month. It will be divided into five tranches -Spain, the UK, continental the syndicate.

Repsol, the Spanish oil, gas Europe, the US and the rest of the world. The government, which will retain a 10 per cent stake, is likely to sell half of the 33m shares outside Spain. • SBC Warburg, which is arranging the privatisation of Railtrack, which has taken over British Rail's track, stations and signalling, has received submissions from 35 banks wanting to take part in

EIB raises DM1bn in tightly priced opportunistic deal

By Conner Middelmann

The recent flood of D-Mark paper continued unabated yes-terday with DM3.6bn of bonds hitting the primary market. Bank complemented last week's borrowing binge with a further DM1bo offering of fiveyear bonds. Contrary to its negotiated issues last year, this deal was of an opportunistic nature, and accordingly tightly priced, yielding only 20 basis

points over bunds. "It should have been 5 to 7 basis points wider," said a dealer. Indeed, the spread widened out to around 23 basis points, although the lead managers reported good demand from European retail and institutional investors, including central banks.

The underwriting group was unusually small, consisting only of four equal partners: CS First Boston, Salomon

6.6

Brothers, UBS and WestLB. This was thought to have been motivated by the EIB's desire to keep the issue under tight control. "They wanted the leads to be fully accountable for the deal's performance,"

INTERNATIONAL BONDS

said one trader.

Baden-Württemberg L-Finance issued its long-awaited DM1bn global bond, which was deemed fairly priced at 24 basis points over the corresponding government benchmark.

"This is the first genuinely negotiated 10-year deal this year, and it's met with broad demand," said a syndicate official at CS First Boston, which acted as joint book-runner with Deutscho Morgan Grenfell. Unlike most recent deals in the D-Mark sector, the yield spread beld steady. Having been widely pre-marketed, the deal was placed by the end of the day, with no flow-back seen, the official said.

The Helienic Republic made its long-awaited appearance with DMIbn of 6% per cent, seven year bonds via Salomon and WestLB. Although it closed incide fees, its yield spread widened by 8 basis points from the initial 100

"It's a tough one - it's too long-dated for many institutions whose credit lines only go out to five years, and compared with recent issues by Mexico or Argentina with conpons of around 104 per cent, it's oot yielding enough to attract heavy retail buying,"

In the sterling sector, the A1/ AA rated British Airports Authority issued £250m of 8.5 per cent, 25-five year bonds to strong demand from UK institutions. "It's one of the darling an official at lead manager

BOITEMENT US DOLLARS	m.	%	1		- %	bp	
Mars Engineering Corp.(4)	100	2.25	00.00	Feb.2000	2.25	_	Daiwe Burope
D-MARKS			1				
Baden Wiletternberg L-Finance	1bm	6.00	465R	Jan 2006	0.325R	+24(8%-06)	
Numberger Hypothekenbank(b)	100	0.00	885 758 458	Jan.2006	0.325		Bayl-lypo/Bayl.B/Bayverein
Hatlanic Republic	1bm	6.375	J758	Feb.2003	0.50R	+100(7%%-03	Sciomon/WestLB
European Investment Bunk	153	4.625	945R	Feb.2001	0.258	+20(5%%-00)	CSF6/Salomon/UBS/WestLB
SPCE(s)	500	4.25	SYSP	Nov.1999	0.2256	+13(7%-99)	Drescher Benk
DSL Bank(c)	100	2.375	SER	Feb.2001	0.25R		JP Morgan
SWISS FRANCS			_				
Shikoku Electric Power Corp.	250	3.50	105	Feb.2001	2.00		URS
Hydro-Quebec#	85	2.50	105	Feb.1998	1.125		Von Ernst/Merrit Lynch
STERLING					_		
BAAG	250	8.50#	89.3	Max.2021	0.B25R	488/894 N. 171	Bergleya de Zoete Wedd
Oberna Group Finance(s)	100	7.75	29.66	Dec.2001	D.35R		NetWest Capital Mariate
FRENCH FRANCS							
GECC(d)	1bn	6.625	101.2	Jan 2005	0.325R	+16(6%%-04)	Benque Paribes
LLIXEMBOURG FRANCS							
ASLK-COER Ifico	25n	(4)	102.5	Mar.2001	1,75	-	Banque LICL
ITALIAN LIRE							
Bank Austria	200bn	9.30	101.32	Feb.1999	1.375		BNL/Carble/MPS
Telebras(f)	10000	15.00	99,758	Feb.1990	1.008	+34523v/Swol	BCM/P Morgan Securities
SOUTH AFRICAN RAND				1			
Deutache Bank Finance(d)	250	13.50	101.15	kn.1997	1,00		Deutsche Morgen Grenfell
Final terms, non-callable unless a							

Planethrief, d) Denom: DMS.000 +2 wrs. Each option gives holder thight to sell DMS.000 at 1.4506/3. Exercise period: 12/3/96 - 23/ 12/96, d) FF/3ton isunched Jan 2 & 3 was increased to FF/4ton, e) % to 8/3/99 & 7% threather. 3) 12/90h isunched Monday was increased to LSS0bn, g) R250m isunched 11/1/98 was increased thriftly form, a) Short lat coupon.

credits in the UK corporate BZW. The bonds to priced to sterling market - it's well rated, has strong cashflows and is not highly geared," said

with £100m of five-year bonds yield 85 basis poin over gits. Dixons, the electal retailpriced at 75 basis points over gilts. Lead manager NatWest Markets said the bonds were ing group, provide the other UK corporate steing issue, placed with UK institutions.

FT-ACTUARIES FED INTEREST INDICES

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		Coupon	Red Date	Price	Change change		Week Mont		Feb	Mer	CALLS —	Jun	Feb	Mer PUTS	Apr
Australia		10.000	02/06	111,7900	-0.510	8.26	6,14 8,06		0.57	0.90	0.77	1.14		0.44 1	.00
Austria.		6.500	11/05	102,4200	+0.390	6,16	6.30 6.55		0.25	0.81	0.58	0.91			.26 .82
Beigium Cenada *		6,500 6,750	12/05	100.8700	+0.450		6.56 6.69 7.15 7.11		total, Cata 62						
Janmark		8.000	03/06	107,5400	+0.560	6.94	7.11 7.29					,		J-4rd FW	
Lauca	BTAN	7.750	04/00	108.8750	+0.625	5.33	5.77 6.24 6.58 8.90	Italy							
3emmany f	Pund DAT	7.750 6.000	10/05	101,3300	+1.040 +0.460		5.96 8.09		TIONAL ITAL	IAN GOV	F. BOHD (STP) PUT	JRES		
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Vetherland		6.750	11/05	101,5600	+0.390		5.94 6.11	Jun		111.00	+1.3			0	1
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122 123 124 125 126, vol. tot 126 127 127 127 127 127 127 127 127 127 127	1.60 0.77 0.22 0.10 54.3 0.10 54.3 0.10 54.3 0.10 100.00 0.10 100.00 0.10 100.00 0.10 100.00	AM BUND Sett prio 100.98 100.27 RICES 1486 8: 1486 8:	22 2,70 7,407 . Pro PUTURIE Change +0.46 +0.46 +0.46	2.15 1.58 1.58 (UFFE) (pe High 5 100.20 + or - High - 1090 - 1090 - 1090	0.13 pen int., Ca 2M250,000 Low 100.6 93.97	0.59 15 148,351 1008re of 1008re of 1008re of 202	1.11 1.52 Purs 138,791 7 100% vol Open 30 2215 0 475 Rotes	Jagos Jagos II Not (LIFI Mer Jan Her Red Peo T Red Peo T 751 107 7-34 7-35 102	118-27 118-23 117 120NAL LONG E) Y100m 10 Open 118.03 118.	119-0' 118-2' 11	APANESE APANESE Change Change Al Open vi	119-1 118-2 GOVT. BC 119-52 118-07 118-07 118-07 118-07 118-07 118-07 118-07 118-07 118-07 118-07 118-07 118-07 118-07	2 118-2 7 118-2 040 FUTU Low 118.3 118.00 118.00 10 February	7 1,439 22 122 FIES 551. v 7 2350 1 403 0.04 day	0 15.5
122 123 124 125 126 vol. 106 126 vol. 106 126 vol. 106 126 vol. 134 126 vol. 134 12	1,60 0.77 0.22 cal, Calls 54.5 array Open 190.71 190.70 Notes was up to Five Yo	AM BUND 100.96 100.27 RICES	22 7,407 . Pre- PUTURE Change +0.46 +0.46 23 1025 22 1025 22 1025 37 1033 35 1083	2.15 1.58 1.58 (UFFE) (High 100.98 100.98 100.98 100.98 100.98 100.98 100.98	0.13 pen int., Ca 2M250,000 Low 100.6 93.97	0.59 15 148,351 1100876 of Est. 3 1672 202 1408 8 190 2004	1.11 1.52 Purs 138,791 1100% vol Open 30 2218 0 4750	Jam Sep James Mar Life Mar Red Peter	118-27 118-23 118-23 100NAL LONG E) Y100m 10 Open 118.03 118.03 118.03 118.03 118.03 118.03 100.00 1	119-0' 118-2	APANESE OPE Change All Open in	119-1 118-2 GOVT. BC 119-52 11	2 118-2 7 118-2 040 FUTU Low 118.3 118.00 118.00 10 February	7 1,439 22 122 FIES 551. v 7 2350 1 403 0.04 day	0 15.5
122 123 Est. vol. tot Gestrata E NOTIO Mar Jun UK G Stape 189 Estape 189 Esta	1.60 0.77 0.22 0.10 S4.5 0.10 S4.5 0	AM BUND 11 Pote 21 12 Pote 21 12 Pote 21 100.98 100.27 100.98 100.27 14.86 8: 12.86 9.70 6. 17.38 6. 1	22 7,407 . Pre- PLITURE Change +0.44 +0.45 23 1025 22 1024 107 1032 1043 1043 1043 1043 1043 1043 1043 1043	2.15 1.58 1.58 (UFFE) (High 100.98 100.98 100.98 100.98 100.98 100.98 100.98	0.13 pon etc., Ca 0M250,000 Low 100.6i 92.97 1025, 7 1025, 7 1026, 1 1062, 8	0.59 to 148,351 1100000 of Est. 3 1872 202 202 202 202 202 202 202 202 202 2	1.11 1.52 Purs 138,781 7 100% Vol Open 301 22151 0 4752	Jagos Jagos Nort (Lift Trt. Mar Jan Nort (Lift Aun Lift Res Res Res Res Res Res Res Re	118-27 118-23 118-23 118-23 100NAL LONG Open 118-43 118-01	119-0' 118-2 ITERUM J O'D'us of 10 Close o	APANESE APANESE Change Al Open vi	119-1 118-2 GOVT. BC 119-52 11	2 118-2 7 118-2 040 FUTU Low 118.3 118.00 118.00 10 February	7 1,439 22 122 FIES 551. v 7 2350 1 403 0.04 day	0 15.5
122 123 Est. vol. 100 CGGTTTSS ENOTION Mar 15 Lap 198 Such 13 Lap 198 Such 13 Lap 198 CGG 17 Junes 19 Lap 198 Such 10 Lap 198 Such	1.60 0.77 0.20 0.20 0.20 0.20 0.20 0.20 0.2	Art BUND Sett prio 100.98 100.27 RICES 1286 8.1286 8.1286 8.972.98 6.6878 6.6878 6.6878	22 PLUTURE Change Change Change Change +0.44 +0.45 +0.45 1025 23 1025 23 1025 23 1025 107 1045 107 1045	2.15 1.58 1.58 (UFFE) (High 100.98 100.98 100.98 100.98 100.98 100.98 100.98	0.13 pen art., Ca DM250,000 Low 100.61 93.97 To 1025 100.2 100.	0.59 15 148,351 1100876 of Est. 3 1672 202 1408 8 190 2004	1.11 1.52 Purs 138,781 7 100%	Jagos Jagos Nort (Lift Trt. Mar Jan Nort (Lift Aun Lift Res Res Res Res Res Res Res Re	118-27 118-23 118-23 118-23 100NAL LONG E) Y100m 10 Open 118.03 1	119-0' 118-2	APANESE OPE Change Al Open in Al	119-1 118-2 GOVT. BC 119-52 11	2 118-27 7 118-2 7 118-2	7 1,439 22 122 FIES 551. v 7 2350 1 403 0.04 day	0 15.5
LIZZ LIZZ LIZZ LIZZ LIZZ LIZZ LIZZ LIZZ	1.60 0.77 0.20 0.20 0.20 0.20 0.20 0.20 0.2	Art BUND 22 100.27 100.27 100.27 100.27 100.27 1286 8: 12.86 8: 12.86 8: 12.86 8: 6.87 6.87 6.87 6.87 6.87 6.87 6.87 6.87	22 PLUTURE Change Change +0.44 +0.45 1025 1025 1025 1025 1025 1025 1025 102	2.15 1.58 1.58 (UFFE) (High 100.98 100.98 100.98 100.98 100.98 100.98 100.98	0.13 pen art., Ca 0M250,000 Low 100.66 93.97 1025 102	0.59 to 148,351 1100ffre of Est. 4 3 1872 202 202 202 202 202 202 202 202 202 20	1.11 1.52 Purs 138,781 7 100% 7 100% 7 100% 7 100% 7 100% 8 221Si 0 475 8 8 8 8 8 8 8 8 8 8 8 8 8 8 8 8 8 8 8	Jagos Jagos Norte (Lift Int. Mar Jan Norte (Lift Norte Jan Lift Norte Jan Lift Norte Jan Norte Jan	118-27 118-23 118-23 118-23 100MAL LONG Open 118-43 118-01	119-0' 118-2	APANESE APANESE On Change Al Open vi	119-1 118-2 GOVT. BC 118-2 1-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1-1	2 118-27 7 118-2 7 118-2	7 1,439 22 122 FIES 551. v 7 2350 1 403 0.04 day	0 15.5
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1222 1231 Est. vol. 100 Gentral Ent. NOTIO Mar Jun 151-pp 166 Ent. 134-pp 1616 Ent. 144-pp 1616 Ent. 154-pp	1.60 0.77 0.20 0.20 0.20 0.20 0.20 0.20 0.2	AM BUND Sett prio 100.27 Tudd 8 100.27 Tudd 8 100.27 Tudd 8 12.96 6 12.96 6	22 1024 - 0.44 - 0.4	2.15 1.58 1.58 (UFFE) (Pe High 5 100.98 5 100.98 5 100.98 1 100.	0.13 pon rtt., Ca 0M250,000 100.6(99.97 1025, 7 1026, 7 10	0.59 to 148,351 1100ffre of Est. 4 3 1872 202 202 202 202 202 202 202 202 202 20	1.11 1.52 Purs 138,781 7 100% 7 100% 7 100% 7 100% 7 100% 8 221Si 0 475 8 8 8 8 8 8 8 8 8 8 8 8 8 8 8 8 8 8 8	Jagos Jagos Norte (Lift Int. Mar Jan Norte (Lift Norte Jan Lift Norte Jan Lift Norte Jan Norte Jan	118-27 118-23 118-23 118-23 100MAL LONG Open 118-43 118-01	119-0' 118-2	APANESE APANESE On Change Al Open in Al Open in June 19 Jun	119-1 118-2 GOVT. BC 119-52 118-57 11	2 118-27 7 118-27 118-37 118-37 118-37 118-37 118-37 118-37 118-37 118-37 118-37 118-37 118-37 118-37 118-37 13-37	7 1,439 22 122 FIES 551. v 7 2350 1 403 0.04 day	0 15.5
122 123 124 125 126 127 128 128 129 129 129 129 129 129 129 129 129 129	1.60 0.77 0.22 cal. Calls \$4.5* almy PNAL GEPSA Open 100.71 100.00 Notes we sp to Five Yo 0011 19901 19901 19971 19971 19971 19971 19971 19971 19971	AM BUND 112 Pob 21 112 Pob 21 112 Pob 21 112 Pob 21 100.96 100.27 110.96	22 PUTURE Change +0.44 +0.45 +0.4	2.15 1.58 1.58 (UFFE) (Pe High 5 100.98 5 100.98 5 100.98 1 100.	0.13 Den ric., Ca DM250,000 Low 100,67 102,57 103,4 in 104,1 in 104,1 in 104,1 in 104,1 in 104,1 in 104,1 in 104,1 in 105,2 in 104,1 in 105,2 in 105,2 in 106,2 in 106,	0.59 to 148,351 1100ffre of Est. 4 3 1872 202 202 202 202 202 202 202 202 202 20	1.11 1.52 Purs 138,781 7 100% 7 100% 7 100% 7 100% 7 100% 8 221Si 0 475 8 8 8 8 8 8 8 8 8 8 8 8 8 8 8 8 8 8 8	Jagos Jagos Norte (Lift Int. Mar Jan Norte (Lift Norte Jan Lift Norte Jan Lift Norte Jan Norte Jan	118-27 118-23 118-23 118-23 100MAL LONG Open 118-43 118-01	119-0' 118-2	APANESE OTTO CTURE TO THE PROPERTY OF THE PROP	119-1 118-2 GOVT. BC B High- 119-52 118-57 1	2 118-2 7 118-2 118-2 118-3 11	77 1,49 72 122 77 238 77 238 7	18. S.
122 123 Est. vol. 104 CGGGTT212 Est. vol. 105 CGGGTT212 Est. NOTIO Market 15 Lape 199 Supp. 193 Lape 199 Supp. 193 Lape 199 Supp. 193 Lape 199 Supp. 193 Lape 199 Lap	1.60 0.77 0.20 0.20 0.20 0.20 0.20 0.20 0.2	AM BUND 22 112 Pob 22	22 PUTURE Change +0.44 +0.45 +0.4	2.15 1.58 1.58 (UFFE) (0.13 Den rt., Ca DM250,000 Low 100,6 993,97 To 102,4 103,4 104,1 105,4 1104,1 106,1	0.59 148,351 10000 o 148,351	1.11 1.52 Puts 138.781 1100% 1	Jagos Jagos Norte (Lift Int. Mar Jan Norte (Lift Norte Jan Lift Norte Jan Lift Norte Jan Norte Jan	118-27 118-23 118-23 118-23 100MAL LONG Open 118-43 118-01	119-0' 118-2	APANESE APANES APANESE APANESE APANESE APANESE APANESE APANESE APANESE APANESE	119-1 118-2 GOVT. BC B Highs 119-52 118-57 1	2 118-27 118-2 118	77 1,497 72 122 77 1,497 77 1,497 77 1,497 77 2,397 77 2,	2 18.0 Coperation of Coperatio
LIZE LIZE LIZE LIZE LIZE LIZE LIZE LIZE	1.60 0.77 0.20 0.20 0.20 0.20 0.20 0.20 0.2	Art BUND 22 100.98 100.27 100.27 100.27 100.27 100.27 12.86 8.12.87 8.842 8.70 6.70 6.70 6.70 6.70 6.70 6.70 6.70 6	22 PLUTURE Change Change +0.44 +0.45 +0.22 1025 22 1025 25 1032 16 113 26 101 12 26 10	2.15 1.58 1.58 1.59 1.59 1.59 1.59 1.59 1.59 1.59 1.59	0.13 Den int., Ca DM250,000 Low 100,6 92,97 Int., Int., Int.	0.59 100ffee of 100ffee of 1100ffee of 1202 1100ffee of 1	1.11 1.52 Purs 138,781 1100% 1	Jam Sep James All Pier Red Pier Pier Pier Pier Pier Pier Pier Pier	118-27 118-23 118-23 118-23 118-23 100-21 100-21 100-21 118-21 11	119-0' 118-2	APANESE APANESE APANESE Change AI Open vi	119-1 118-2 GOVT. B(2 118-27 118-27 118-27 118-27 118-27 118-27 118-27 118-27 118-27 118-27 118-27 118-27 118-27 118-27 128-28-28-28-28-28-28-28-28-28-28-28-28-2	77 1,49 72 122 72 122 72 122 73 124 74 124 74 124 75 124 76 124 76 124 76 124 76 124 76 124 76 124 76 124 76 124 76 124 77 124 7	18. 5.1 5.1 5.1 5.1 5.1 5.1 5.1 5.1 5.1 5.
122 123 124 125 126 127 128 128 129 129 129 129 129 129 129 129 129 129	1.60 0.77 0.20 0.21 0.22 0.22 0.22 0.22 0.22 0.22	AM BUND 112 Pote 23 112 Pote 23 112 Pote 23 112 Pote 23 1100-96 1100-	22 1025 10 PIUTURE Cheng +0.44 +0.45 +0.45 +0.45 10 1025 10 10 1025 10 10 1025 10 10 1025 10 10 1025 10 10 1025 10 10 10 10 10 10 10 10 10 10 10 10 10 1	2.15 1.58 1.58 1.59 1.59 1.59 1.59 1.59 1.59 1.59 1.59	0.13 pon rt., Ca 0M250,000 100.6 93.97 100.5	0.59 15 148,351 1006res of 1006re	1.11 1.52 Puts 138,791 1100% vol Open 30 22181 0 4750 Rotes 100-7	James Sup James	118-27 118-23 118-23 118-23 100-21 118-23 11	119-0' 118-2	APANESE APANESE One Change Al Open vi	119-1 118-2 GOVT. BK B Highs 119-52 118-57 1	2 118-27 118-2 118	77 1,49 72 122 77 1,49	18. 3. 18. 18. 18. 18. 18. 18. 18. 18. 18. 18
LIZE TAGE THE STATE OF THE STAT	1.60 0.77 0.20 0.20 0.20 0.20 0.20 0.20 0.2	AM BUND 112 Pote 23 AM BUND 1100.98 100.27 1100.98 100.27 14.86 & 1.10 14.86 &	22 PLUTURE Change of Prior 1 10 2 10 2 10 2 10 2 10 2 10 2 10 2 1	2.15 1.58 1.58 1.59 1.59 1.59 1.59 1.59 1.59 1.59 1.59	0.13 	0.59 to 148,351 11000res of Est. 43 11000res of Est. 43 11000res of Est. 42 202 202 202 202 202 202 202 202 202 2	1.11 1.52 Pars 138,781 7 100% 7 100% 7 100% 7 100% 8 Roses 8 Roses 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	Jama Sep Jama North Life Life Life Life Life Life Life Life	118-27 118-23 118-23 118-23 118-21 10000 10 Open 118-43 118-01 118-43 118-01 1	119-0' 118-2	APANESE APANESE Change Change Al Open we Al Open	119-1 118-2 GOVT. BK B Highs 119-52 118-57 1	2 118-27 118-2 118	77 1,49 72 122 77 1,49	18. 3. 18. 18. 18. 18. 18. 18. 18. 18. 18. 18
1222 123 124 125 125 126 127 127 127 127 127 127 127 127 127 127	1.60 0.77 0.20 0.20 0.20 0.20 0.20 0.20 0.2	AM BUND 22 112 Pob 22	22 PUTURE Change of Property of Puture of Property of Puture of Property of Puture of Property of Puture o	2.15 1.58 1.58 1.59 1.59 1.59 1.59 1.59 1.59 1.59 1.59	0.13 Den etc., Ca Decorate Ca Low 100.67 100.57 100.2 1 100.2 1 100.4 1 100.4 1 100.4 1 100.4 1 100.4 1 100.5	0.59 15 148,351 1006res of 1006re	1.11 1.52 Purs 138,781 1100% 1	James Sep James	118-27 118-23 118-23 118-23 118-23 118-23 100-21 100-21 118-23 11	119-07 118-2 1 TERM J 05% of 10 Close 100 APT Line 97% in 128-2 138-1 138-1 1015-1 1015-1 1015-1 1015-1 1015-1 1015-1 1015-1 1015-1 1015-1 1015-1 1015-1	APANESE APANESE One Change Al Open vi	119-1 118-2 GOVT. BK B Highs 119-52 118-57 1	2 118-27 118-2 118	77 1,49 72 122 77 1,49	18. 3. 18. 18. 18. 18. 18. 18. 18. 18. 18. 18
LIZE LIZE LIZE LIZE LIZE LIZE LIZE LIZE	1.60 0.77 0.20 0.20 0.20 0.20 0.20 0.20 0.2	Art BUND 112 Pote 22 2 Pote 22 3 Pote 22 100.98 100.27 110.27 110.27 110.88 12.89 12.89 12.89 13.91 13	22 PLUTURE Change Change +0.44	2.15 1.58 1.58 1.59 1.59 1.59 1.50 1.50 1.50 1.50 1.50 1.50 1.50 1.50	0.13 Den etc., Ca Decorate Ca Low 100.67 100.57 100.2 1 100.2 1 100.4	0.59 148,351 1000res of Est. 4 3 1672 202 202 202 202 202 202 202 202 202 2	1.11 1.52 Puts 138,781 1100% 1	Jama Sep Jam	118-27 118-23 118-23 118-23 118-23 10000 100 Open 118-43 118-01 118-43 118-01 118-43 118-01 118-43 118-01 1	119-0' 118-2	APANESE APANESE One Change Al Open vi	High High High High High High High High	2 118-27 118-27 118-27 118-27 118-27 118-27 118-27 118-27 118-27 118-27 118-27 118-27 118-27 128-28	77 1,49 72 122 77 1,49	18. 3. 18. 18. 18. 18. 18. 18. 18. 18. 18. 18
1222 123 124 125 125 126 127 127 127 127 127 127 127 127 127 127	1.60 0.77 0.20 0.20 0.20 0.20 0.20 0.20 0.2	AM BUND 12 Pote 22 12 Pote 23 12 Pote 23 12 Pote 23 100.98 100.98 100.98 100.98 100.98 12.86 12.	22 PLUTURE +0.44 +	2.15 1.58 1.58 1.59 1.59 1.59 1.59 1.59 1.59 1.59 1.59	0.13 OM250,000 Low 100.66 99.97 To 1025 1005 1005 1005 1005 1005 1005 1005	0.59 1100ffre of Est. 3 1672 202 202 202 202 202 203 204 205 206 207 207 208 208 208 209 209 209 209 209 209 209 209 209 209	1.11 1.52 Purs 138,781 1100% 1	James Sep James	118-27 118-23 118-23 118-23 118-23 100-21 100-21 100-21 118-23 11	119-07 118-2 118-2 1 TERM J 05% of 10 Close of 10 Close of 10 10 10 10 10 10 10 10 10 10 10 10 10 1	APANESE APANESE One Change Al Open vi	High High High High High High High High	2 118-27 118-27 118-27 118-27 118-27 118-27 118-27 118-27 118-27 118-27 118-27 118-27 118-27 128-28	77 1,49 72 122 77 1,49	18. 3. 18. 18. 18. 18. 18. 18. 18. 18. 18. 18
1222 1231 Est. vol. 101 General Est. vol. 101 General Est. vol. 101 Mar Jun 15 Lape 188 Bearts (David Salar) 15 Lape 188 Bearts (David Salar) 15 Lape 188 Bearts 13 Lape 188 Bearts 15 Lape 188 Bearts 16 L	1.60 0.77 0.20 0.20 0.20 0.20 0.20 0.20 0.2	Art BUND 112 Pote 22 2 Pote 22 3 Pote 22 100.98 100.27 110.27 110.27 110.88 12.89 12.89 12.89 13.91 13	22 PLUTURE +0.44 +	2.15 1.58 1.58 1.59 1.59 1.59 1.50 1.50 1.50 1.50 1.50 1.50 1.50 1.50	0.13 0.13 0.13 0.10 0.00 100.6 100.6 100.5	0.59 1008 of 148,351 1008 of 148,351 1008 of 1572 202 13 1672 202 13 1672 202 13 1672 202 13 1672 202 13 1672 202 13 1672 202 13 1672 203 1672 1672 1672 1672 1672 1672 1672 1672	1.11 1.52 Puts 138,791 1100% vol Open 30 22181 0 475 Rotes 11 11	James Supplement of the part o	118-27 118-23 118-23 118-23 118-23 118-21 1000m 10 Open 118-27 118-23 118-21 11	119-07 118-2 118-2 118-2 118-2 118-2 107-118 1	APANESE APANESE One Change Al Open vi	High High High High High High High High	2 118-27 118-27 118-27 118-27 118-27 118-27 118-27 118-27 118-27 118-27 118-27 118-27 118-27 128-28-28-28-28-28-28-28-28-28-28-28-28-2	77 1,49 72 122 72 122 72 123 72 123 73 124 74 124 7	7 18.4 17.4 17.4 17.4 17.4 17.4 17.4 17.4 17
1222 1231 Est. vol. 101 General Est. vol. 101 General Est. vol. 101 Mar Jun 15 Lape 188 Bearts (David Salar) 15 Lape 188 Bearts (David Salar) 15 Lape 188 Bearts 13 Lape 188 Bearts 15 Lape 188 Bearts 16 L	1.60 0.77 0.20 0.20 0.20 0.20 0.20 0.20 0.2	Art BUND 112 Pote 22 2 Pote 22 3 Pote 22 100.98 100.27 110.27 110.27 110.88 12.89 12.89 12.89 13.91 13	22 PLUTURE +0.44 +	2.15 1.58 1.58 1.59 1.59 1.59 1.50 1.50 1.50 1.50 1.50 1.50 1.50 1.50	0.13 Den etc., Ca Decorate Ca Low 100.67 100.57 100.2 1 100.2 1 100.4	0.59 148,351 1000re of Est. 4 3 1872 202 152 202 153 202 154 202 154 202 154 202 154 202 155 2	1.11 1.52 Puts 178,781 1.100% 100% 100% 100% Roses 05##	Jama Sep Jama Not (Life Life Life Life Life Life Life Life	118-27 118-23 118-23 118-23 118-23 10000 100 Open 118-43 118-01 118-43 118-01 1	119-07 118-2 1 TERM J 00m of 10 Close 1 TERM J 00m of 10 Close 1 TERM J 100 100 100 100 100 100 100 100 100 10	APANESE APANESE One Change Al Open vi	High High High High High High High High	2 118-27 118-27 118-27 118-27 118-27 118-27 118-27 118-27 118-27 118-27 118-27 118-27 118-27 128-28	77 1,49 72 122 77 1,49	18. 3.1 18. 18. 18. 18. 18. 18. 18. 18. 18. 1
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ME Ety 24 20	0 1052	1055	2 8.76	EC 6 00 B	1	100 1014 125 105b	1014		5.72 4.63	Harmon 91 ₂ 08 E Hermon America Hung Kong Land	239 01	- 420 ZB 637	5 8	8 834	153,74
CR Forcier 74, 00 200 Tourk 64, 98 200	0 100%	10112 +1	708	Ferry del SNI ₈ po	Ecu	500 108k	1004	44 1	220	LIEBO Secs 64, 02	· E	_ 84 8.7	2 . 977	100	-14.47 +4.57
mark 6 ¹ g 98 200 in Finance 6 ¹ g 03 150 ethe 5k Fin i ¹ g 03 200	1005	. 2023	5.93	United Kinggal, ()	1 Ecu 2	750 1131 ₂	1134	4	6.05 6.06	Laurzo 74 05 E . Milera Benk 25 0 Mount les Fin 62	8	00 5.6 - 200 2332	4 905 5 8	6 88	+39.50
5 ¹ 2 00 200	107	1071	4.50	Ferry del SNL 98 hay 101, 00 United Kingdul, 0 ADC 10 99 A Comra Sk Au	4, 90 fS _	103 1174	118le	44 1	7,91 2,08	Mount les Fin 6 ² 2 Neit Power 6 ³ 4 00	97	_ 100 2.28 _ 250 _ 43	3 891,		+74.25
64, 00 190 and 7½ 00 300	U 106	1054 4	45	NSW THERMY	20.45	350 1011 ₂				Option 6 (2 Pantacil 44, 08		98 30.07	7 93	2 98	+3.01 +67.09
iand 7½ 00 900 7 ½ 98 900 B Baden-Weiers 6½ 06 225	0 105-2	1055	3.91	NSW Treatury (0 R & 1 Bark 7 to 5 State Sk NSW for State God For		25 99	863	+2	8.48	Pennsol 44, 08 . Sumbono Berk 9 Sun Alience 74, (4 04	- 500 SA 808 - 500 3806	7 1034 9 904	1044	+14.57 120.58
	2051	\$05L 4	2 6.35	Sto Aud God F	/S	103 kg	1004	42 1	5.38	Tenemotionals Library	e shine a	260 EA		1057	+11.89
May 61, 98 150	1014	101 2 4	6.05	United Australia	3 AS 1	SD 108		-1	700	. Legismotics call	o establic • p	MACOUS clay's	orice	7912	+16.41
ario 6 k D4 150	0 105	1005	5.74	Margara Series Tail	An 10		4863	.1 -							
arto 64, 04 150 art 74, 08 400	0 105		2 574	United Australia Western Aust Tra	9/51	KD 984	100%		7.71	2 Only pre-marks					
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TWO FIG. 35 150 150 150 150 150 150 150 150 150 15	i 1085 ₁ Nels to maj Ned in stok	क्ष्म्प्रेया व्हे शह क्ष्म् प्रांच्या व्हे	bid-prior, i	he amount imped to mind. Coupon show	More of the	uncy units. Ch	s de-Ci	motely o	7.71 day.	THE STREET	Sebove Tro	en teleb for U	6 dolars.	Go bassin Cobustilia	o Cumung

CURRENCIES AND MONEY

measures to support the Euro-

the German discount rate when the Bundesbank meets

tomorrow. But there is a gen-

eral expectation that the short-er-term repo rate will fall fur-

ther at the Bundesbank's

Few analysts expect a cut in

pean economies

MARKETSIEPORT

Dolar gains at expense of the D-Mark

By Graham Bosy

Fears of a sha downturn in the German enomy buoyed the dollar o the foreign exchanges yearday as the D-Mark was hagain by the growing expection that German interest res might be

The dollar's ise was supported in early ming by comments by Mr Gree Soros, the American finance, who told a seminar in Tyo that he favoured the dor over other currencies and at the D-Mark needed to depreite further.

Other Europa currencies penefited from t weakness in the D-Mark. In cent sessions there has been marked shift of investment five out of tha D-Mark into thhigher yielding markets of lly and Spain. analysts said.

The Italian limade strong gains as Italia government bonds rallied shply. It closed at L1, 082 again the D-Mark, The French franc rose closed at Y105.885 from 105.2. against the D-Mark but its gains were limited by concerns that France might be one of the countries worst hit hy a slowdown in Europe and by government spending cuts required by the Maastricht criteria for European monetary

Against the D-Mark, tha franc closed at FFr3.418 from FFr3.421. Sterling had a good day

before retreating against the dollar in late trading.
The pound closed at DM2.2425 from DM2.2359 against the D-Mark. Against the dollar, it finished at

\$1.5396, from \$1.5457. The dollar finished in London at DM1.4576, from DM1.4466. Against the yen, it

■ The debate over the serious ness of the slowdown in the German economy continued yesterday, further undermining the D-Mark.

Official figures last week suggested that the German economy might be experiencing a more abrupt downturn than had been thought. The data was followed by comments this week by Bundes bank members which hinted that the German discount rate might be cut soon to stimulate

the economy. Mr Hans Tietmeyer, Bundes bank president, said late on Monday that there was scope for a further decline in official interest rates if M3 money supply did not move closer

owards its target corridor. Expectations of lower interest rates were further boosted yesterday by speculation that the meeting on Saturday of finance ministers and central

today. Dealers said a large impact of the expectation of a decline in the repo rate would slowdown had not yet been further illustrate the current fully felt by the D-Mark. Derived from June '96 Euro-DM rate downward trend in interest rates and would 'further weaken the D-Mark.

"The D-Mark is vulnerable to bad news. The market seems to be more and more inclined to sell the currency." said Mr Adrian Cunningham, currency analyst at UBS in London.

■Government bond and short term interest rate markets across Europe have rallied strongly in recent sessions on the back of the expectation of slower growth in Europe. In the UK, gilts advanced Group of Seven leading indus-trial countries might lead to

further yesterday, outperforming German government bonds and supporting sterling. Short sterling interest rate futures also registered some gains, with the December 1996 contract closing 8 basis points

ahead on the day at 93.88. Mr Tony Norfield, treasury economist at ABN Amro in London, said that the full

He said some European central hanks were taking advantage of the D-Mark's weakness to buy D-Marks, which was temporarily supporting the

■ The dollar was the main ben-eficiary of the D-Mark's decline despite comments by Mr Newt Gingrich, the speaker of the US House of Representatives, who said that he was pessimistic about progress on the US bud-

currency.

get talks. The budget talks resume today but analysts expected the impact on the foreign axchanges to be muted with attention still on Germany.

Casch Rp 41.3741 - 41.4030 25.8990 - 26.9060 Hungary 212.97 - 212.481 138.040 - 138.090 Rum 4516.40 - 4614.90 3000.50 - 3000.00 Rum 4 12.607 - 0.4012 12.905 - 12.907 Poland 3.8542 - 3.8570 2.905.6 - 2.905. Rum 5 1792.95 - 1799.83 4674.00 - 4677.00 U.A.E. 5.6900 - 5.8542 3.8729 - 3.6731

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POU	ND SPOFOR	WARD	AGAINST	THE POUND								OOLLA	R SPC	T FOS	WA
Jan 10	ssing i-point	Change on day	Bld/offer apreed	Day's Mid high low	One mo	eeth %PA	Three m	onthe %PA	One, yo		Bank of Eng. Index	Jan 16		Closing mid-point	Che
Europe												Енгоре			
Austria	(Sch) 5.7891	+0.046				3.3				-	106.3	AUDO18	(Sch)	10.2494	+0.
Belgium	(BFr) 8.1104					3.1						Belgkm	(BFr)	29.9700	4
Dermark	(DKr) 8.6867				8.6551	1,6			8.5793	1.0		Denmark	(DKr)	5.6330	
Finland	(FM) 5.7962		2 897 - 027	6.8220 8.7490	6.7916	0.8		0.7			86.2	Finland	(FM)	4.4173	+0.
France	(FF ₁) 7.8670			7.6911 7.6552	7.661a	0.8			7.6072			France	(FFr)	4.9833	+0
Germany	(DM) 2.2425		416 - 434	2.2523 2.2378	2.237	3.0	2.2269	28	2.1812	2.7		Garmany		1.4578	+6
Greece	(Dr) 68.321	+1.325		369,453 366,447							66.4	Grasca	(Cr)	239.395	-1
iretand	(92) 0.9865			0,9679 0.9646	0.9655	1.2			0.9809	0.6		ireland	(RE)	1.5920	-0.
Italy	(L) 428.22	-4.71		2439.17 2426.24	2436.67	-4.2			2526.17	-4.0		Italy	(L)	1578.25	
Luxembo				46.2900 45.9710	46.0054	2.7			45.1254	2.1		Lucembourg	(LFr)	29.9700	-1
Netherlan		+0.0079		2.5269 2.5000	2.5054	2.8			2.451	2.4		Netherlands	(FI)	1.6323	+0.
Norwzy	(NKr) 9.8283	+0.0203		8.8705 9.7616	9.8182	1.2		1.3	9.7155	1,1		Norway	(MK)	6,3880	+0.
Portugal	(Es) 31.921		806 - 036	234,879 231.806	232.346	-2.2		-23			95.8	Portugal	(Ea)	150.740	+0
Spain	(Pta) 89.757	+0.597		189,358 188,054	189,242	-3.1			194,412			Spain	(Pta)	122,685	
Sweden	(SKr) 0.1942	+0.0062		10.2428 10.1831	10.1961	-0.2		-02	10.2149	-0.2		Sweden	(SKr)	6.6259	+0.
Switzerlan		+0.0051	063 - 075	1,8088 1.8011	1,7991	4.8	1.7855	4.6	1.7275	4.4		Switterland	(SFr)	1.1741	+0.
UK	(2) -										83.4	UK	(2)	1.5386	-0.
Ecu SDRT	- 1.2138 - 143700	+0.0048	131 - 141	1.2183 1.2067	1.2125	1,1	1.2104	1,1	1.2023	0.9		Ecu	-	1.2678	-
Sun Americas	- M3/00				-	-	-	-	-	-	-	SDR†	-	0.67550	
Americas Argentina	(Dece) 4 600F	0.0074	001 000	4 5 407 4 5 200								Americas			
Argerius ia Brazil	(Peso) 1.5385 (RS) 1.4956	-0.0071	381 - 388 952 - 958	1,5437 1,5363 1,5006 1,4836		-	-		-	-	-	Argentina	(Peso)	1.0000 0.9721	-0.0
Conecia	(CS) 2,1024	-0.007		2.1054 2.0978	0.000	0.7	2.096	0.8	0.0005			Brazil	(PS)		+0.
	(New Peso) 1,5862		757 - 026	11.6062 11.5757	2.1011	u.r	2000	u.s	2.0905	0.6	84.0	Canada Marrias Ola	(C\$) w Pesa)	1.3865	+0.
USA	(\$) 1.5386	-0.0264		1.5440 1.5385	1.5373	1.0	1.5353	0.8	1.5248	0.8	95.2	Mexico (Ne USA		7,5325	+0.
	iddle East/ica	-0.007	903 - 300	1,044G, 1,000	1.33/3	1,0	1,3353	u	1.0240	u	60.2		. (5)		
Australia	(AS) 2,0689	-0.0110	679 - 699	2.0810 2.0660	2.0704	-0.9	2.0742		2.0907		98.3	Pacific/Midd Australia		1.3446	-0.
Hong Kon			937 - 991	11,9374 11,8813	11.8893				11.8547	-1.1 0.4	80.3		(ALS) (HRCS)	7,7322	+0.
	(Rs) 5,2263		942 - 583	55.3950 55.1760	11.0080	0.7		0.5	11.0047	0.4	-	Hong Kong			
India	(Shk) 4,8033		992 - 074	4,8263 4,7992	-	-			-	•	-	India	(Res)	35.8950	+0.
sraei												larael	Ship	3.1220	
Jacan	(A) 85'805		537 - 667	163,410 162,450	191.767	6.2	160.262	5.8	153,922	5.3	137.0	Japan	m	105.685	+0
Meleysia	(MS) 3.9433		416 - 447	3.9686 3.9388								Malaysia	(MS)	2,5630	+0
Vew Zeele			206 - 238	2.3321 2.3196	2,3251	-1.5	2,3321	-1.7	2,3563	-1.5	103,9	New Zeeland	(NZS)	1,5092	-0.0
Tilippines		-0,1862		40,3550 40.3112		•	-	•	-	-	•	Philippines	(Peso)	26.2150	
Saudi Arat			891 - 716	5,7905 5.7630	•	•	-	•	-	-		Secudi Arabia	(SA)	3.7505	
singapore	(56) 2,1932		921 - 943	2,2007 2,1910	-	-	•	-	-	•		Singapore	(53)	1,4255	+0.
South Afric			994 - 035	5.6192 5.5044	-	-	-	-	•	-		South Africa	(F)	3.8408	+0.
South Kon		-4.01		1224.00 1217.98		-		•	-	-		South Korea	(Won)	792,650	
alwan	(15)+2,1532		433 - 831	42.2826 42.1001	-	•	•	-	-	-	-	Talwan	(13)	27,3980	+0.0
hadand	(Btp8.8869	-0.1563	951 - 086	38.9880 38.8350			-	•	-	-		Theiliend	(80)	25,2750	+0

Jan 16		Closing mid-point	Ohenge on day	Skd/offer spread	Day's high	reid law	One mo	erfit %PA	Three mo	96PA	One y	%PA	JP Morga Index
Енгоре													
Augoria	(Sch)	10.2494	+0.0772			10.1825	10.2339	1.8	10.2079	1.6	10,1044		106.5
Belgkm	(BFr)	29.9700	+0.24	500 - 900		23,8350	29.916	21	29.83	1.3	29.525		108.5
Denmark	(DKr)	5.6330	+0.0395	315 - 345	5.8475		5.6292	8.0	5.623	0.7	5.6405		108.7
Finland	(FM)	4.4173	+0.0405		4.4366		4.4123	1.4	4.4036	1.2	4.3748	1.0	86.1
France	(FFr)	4.9833	+0.034	820 - 845	4.9966		4.986\$	-0,8	4.9900	-0.6	4.9673	0.3	109.8
Germany	(COPA)	1.4576	+0.011	572 - 579	1.4618		1.4554	1.8	1.451	1,8	1,4333	1.7	110.8
Grades	(CH)	239.395	+1.96	320 - 470		237.490	241.12.	-8.6	244,32	-8.2	257.795	-7.7	66.2
ireland	(RE)	1.5920	-0.0085	910 - 930	1.6000	1.5874	1.5925	-0,8	1,5929	-02	1,589	0.2	-
Italy	(L)	1578.25	+4.2	750 - 900	1582.99	1572,60	1585.1	-62	1597.15	-4.8	1655,26	-4.9	71,8
Luxembourg	(LFr)	29.9700	+0.24	500 - 900	30.0200	29.8350	29.918	21	29.83	1.8	29.525	1.5	108.5
Netherlands	(Pi)	1.6323	+0.0127	316 - 327	1.5381	1,6202	1.8294	22	1.624	2.0	1.604	1.7	108,3
Norway	(NIC)	6,3880	+0.0424	865 - 895	6.4035	6.3245	6,3857	0.4	6.3775	0.7	6.3605	0.4	97.7
Portugal	(Ent	150,740	+0.915	890 - 790	152,420	160.270	151.115	-S.Q	151.885	-3.0	155.49	-3.2	96.7
Spain	Ptal	122,685	+0.95	660 - 710	122,980	122.160	123.08	-3.0	123,815	-3.7	127,205	-3.8	82.4
Sweden	(SKr)	6.6259	+0.0345	210 - 307	28447	8,5994	6.6429	-3.1	6.6724	-28	6.8099	-2.8	87.A
Switterland	(SF)	1.1741	+0.0097	736 - 748	1,1768	1.1874	1.1705	3.7	1_1638	3.5	1,1354	3.3	115.1
UK	(2)	1.5386	-0.0071	363 - 388	1.5440	1,5965	1,5373	1.0	1.5353	0.8	1.5246	0.9	82.8
Ecu	~	1.2678	-0.011		1,2789	1.2650	1.2681	-0.3	1,2685	-0.2	1,2691	-0.1	
SDRt	_	0.67550	-								.,		
Americas													
Argentina	(Peso)	1.0000		999 - 000	1.0000	0.9999		-			٠.		
Brazi	(AS)	0.9721	-0.0001	720 - 721	0.9722	0.9720						_	_
Canada	(C35)	1.3865	+0.0029	862 - 867	1,3667	1.3622	1.3967	-0.1	1,3668	-0.1	1,3716	-0.4	83.2
	Pesol	7.5325		250 - 400	7.5400	7,5250	7.5347	-0.4	7.5379	-0.8	7,5428	-0.1	-
USA	. (5)	.,			,,,,,,,,,	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	,		,	- 0.0	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,		95.5
Pacific/Middle	East/	Mriese.				_							-
Australia	(AS)	1.3446	-0.0011	443 - 452	1.3452	1,3443	1.3466	-1.8	1,3601	-1.6	1,3668	-1.8	87.3
Heng Kong	(HICE)	7,7322	+0.0007	317 - 327	7,7327	7.7317	7.7329	-0.1	7,7347	-0.1	7.7617		07.0
india	(Rel	35,8950	+0.07	800 - 100		35.8350	36.045	-6.0	36.35	-5.1	37.92		
larae)	Shk	3.1220	+0.0023	198 - 241	3.1297	3.1198	30.040	-3.0	30.33	-3.1	37,52	-0.4	
		105.685	+0.485	660 - 710	105,930		105.22	5.3	104.36	5.0	100.93	4.5	137.6
Japan	m												
Malaysia	(MS)	2,5630	+0.001	625 - 635	2,5657	2.5825	2,5639	-0.4	2.57	-1.1	2.5935		
New Zeeland	(NZS)	1,5092	-0.0018	085 - 101	1,5101	1.5085	1,5123	-2.5	1.5181	-24	1.5427	-2.2	
Philippines	(Peso)	26.2150	-	050 - 250		26,2050							•
Securit Arabia	(SA)	3.7505		503 - 507	3,7507	3.7503	3.751	-0.1	3.7517	-0.1	8.755	-0.1	
Singapore	(53)	1,4255	+0.0032	250 - 260	1.4266	1.4230	1,422	3,0	1.416	2,7	1.3905		
South Africa	(F)	3.8406	+0.0066	400 - 415	3,6440		3.6696	-9.5	3,721	-8.8	3.9443		
South Korea	(Won)	782,650	+1,05	600 - 700		790,160	795.65	-4,5	799,15	-3.3	817,65	-3.2	
Talwan	(43)	27,3980	+0.0215	960 - 000		27,3900	27.41 6	-0,9	27,458	-0.8			
Theilitend	(80)	25.2750	+0.015	650 - 850	25,2850	25,2660	25,3737	-4.7	25.5776	-4.8	26,46	-4.7	•

CROSS	RAT	S ANI	DER	VATIV	S													
EXCHAN	GE (1088	RATES															
Jan	16	BFr	DKr	FFf	DM.	102	L	H	NECF	Es	Pbs	SKr	SFr	£	CS		Y	E
Belghum	(E		1876		4.864	2.095	5266	3.446	21,31	502.9	409.2	22,10	3.917	2.169	4.569	3.336		
Donemark,	(0)		10	8.847	2.588	1.115	2802	2.898	11.34	267. a	217.7	11.76	2.084	1.154	2.426	1,776	187.6	
France	(F		11,30		2.926	1.260	3167	3.275	12.82	302.5	249.1	13.29	2,356	1,304	2,742	2.007	212.1	1.5
Communy	Œ	20.56	3.864	3.418	1	0.431	1082	1.119	4.382	108.4	B4.13	4,543	0.805	0.446	0.937	0.686	72.49	0.5
Ireland	1	47.73	8,971	7.937	2,322	1	2513	2,599	10.17	240.1	195.3	10.55	1.870	1.035	2.176	1.590	168.3	1.2
imiy	- 1	1.899	0.357	0.316	0.092	0.040	100.	0.109	0.405	a.551	7.772	0.420	0.074	0.041	0.087	0.063	6.697	0.0
Netherlands		16.36	3.451	3.053	0.883	0,385	986,9	1	3.914	92.35	75.15	4.058	0.718	0.398	0.837	0.915	64.76	0.4
Norwey	(Ps	46.92	B.616	7.801	2.282	0.983	2470	2,555	10	236.0	192.0	10.37	1,838	1.016	2.139	1.566	185.4	1.2
Portuget	- 1	16.86	3.737	3.306	0.967	0.417	1047	1,083	4.238	100.	61.37	4.394	0.779	0.431	0.906	0.664	70.12	0.5
Spain	0	24.44	4,592	4.063	1.189	0.512	1267	1,331	5.208	122.9	100.	5.400	0.957	0.530	1,114	0.918	86.17	0.6
Sweden	C	45.25	2504	7.524	2.201	0.948	2383	2,464	9.645	227.8	185.2	10	1,772	0.981	2.063	1.510	159.6	1.1
Switzertand	Č	25.53	4,798	4.245	1.242	0.535	1344	1.390	5.442	128.4	104.5	5.642	1	0.554	1,164	0.852	90.03	0.6
UK	3	46.11	8.666	7.667	2.243	0.966	2428	2.511	9.828	231.8	186.7	10.19	1.806	1	2.102	1.539	162.8	1.2
Campda	-	21.94	4.123	3.647	1.087	0.460	1155	1.195	4.676	110.3	89.77	4.848	0.859	0.476	1	0.732	77,35	0.5
us	3	29.96	5.631	4.882	1.457	0.628	1578	1.632	6.386	150.7	122.6	6.621	1.173	0.650	1.366	1	105.7	0.70
Japan	ä	28.36	5.330		1.379	0.594	1493	1.544	5.044	142.6	1121	6.267	1.111	0.615	1.293	0.946		0.74
Беи		37.98	7.138		1.848	0.798	2000	2.068	6.096	191.0	155.4	8.394	1.488	0.824	1.731	1.268	133.9	1
Danish Kroner,	Frencha	ic, Norweg	glari Kroner,	and Swedie	h Krano	r per 10:	Bolgton P	anc, Yen, Ed	oudo, Lira	and Peer	sts per 100							
E D-MARK	FUTUR	(MM)	M 125,000	per DM					3 30	PARE	Z YAM F	UTURNES	(IMM) Yen	12.5 per	Yen 100			
	Oper	Latest	Change	High	Ł,	OW	Est. vol	Open int.			Open	Latest	Change	High	L	717	Est. vol	Ореп
Mar	0.691	0.6889	-0.0040	0.6895	Q.è	3870	17.846	59.632	Mar		0.9570	0.9538	-0.0054	0.9579	0.9	525	9.396	78.12
Jun	0.691	0.6926	-0.0035	0.6926		3912	27	3,121	Jun		0.9655	0.9654	-0.0053			697	16	3,18
Sep		0.6955	-	-	0.6	9955	7	1.362	Sep		-	0.9762	-	-	0.9	615	24	486
E SW196 FI	RANGI	TURNES (I	MM) SFr 1:	25,000 per	SFr				E 5		FUTUR	ES (IMM)	£62,500 p	or 2				
Mar	0.862	0.8589	-0.0042		0.8	3572	6,170	39,071	Mar		1.5428	1.5372	-0.0068	1,5428	1.5	370	1,934	34,69
Jun	0.86#	0.8669	-0.0040	0.8686	0.8	366D	89	914	Jun		1.5330	1.5330	-0.0074	1.5330	1.5	330	51	170
Sep	-	0.8790	-	-		-	1	89	Sep		-	1,5310	-	-	1.5	310	4	5
												v. 1						
OK INT	4.4	RAT	ES						EM		ROPE		RREN			TES		
LONDON	I MAN	EV P	TES						Jec .	ie	Ecu ca		itate net Ecu	On day	% +/-	tom rate	% sprea	

DK I	2010	T RAT	ES					EMS EUI	Ecu cen.	Rate	Change	% +/- trom	% spread
LOND	ON M	NEY RA	TES						rates	against Ecu	on day	COST. INCO	v wooless
Jan 16		Over-	7 days	One	Three	Sx	One	Spain	162.493	159.081	+0.481	-2.10	4.76
		night	udoce	month	months	months	year	Netherlands	2.15214	2.11646	+0.00275	-1.66	4.30
interbank	Starting	74 - 4	6% - 65g	6,2 . 6,7	812 - 632	63g - 61g	63 - 83	Belghun	39.3960 13.4383	38.8368 13.2903	+0.047	-1.42 -1.10	4.05 3.72
Sterling C	Os -	-	•	612 - 616	614 - 611	63 - 63	64 - 64	Germony	1.91007	1.88981	+0.00238	-1.06	3.68
Treasury 6		-		638 · 633	64 61			Portnati	196,792	195.426	-0.106	-0.18	2.77
Bank Bilis			-	84 - 653	64 - 612	61 - 614	-	Dermark	7.28580	7.30447	+0.00742	0.26	231
Local auth		6,5 6,8	612 - 63	612 - 632	612 618	8 - 62	8 ² 8 - 6 ¹ 4	France	6.40606	6.45843	-0.0023	0.82	1.74
Discount I	Merket d.	7 - 6 ¹ 2	6% - 6%	-	•	•	•	kreiand	0.792214	0.812616	-0.003563	2.53	0.00
JK disann	ng bank æ	lending rat	6 ¹ 2 per c	ent from De	comber 13,	1995		NON ERM ME	240000				
			Up to 1	1-3	3-6	6-9	9-12	Greece	292.867	310.150	+0.235	5.90	-3.14
			गळनधा	month	months	months	months	Italy	2108.15	2046.92	-6.1	-2.81	5.54
Certs of Ta Leg terrole 1995. Agre terrod Dec larusary 1.	r rate of cou ed rate fort : 1, 1995 Ac 1995	100,000 is 2: nt 6.1663pc. od Jan 24, 1: 29, 1995, 5	ECGO fixed 995 to Feb 2 Ichemee IV &	rate Stig. Eq 5. 1996, Sch V 0.552pc. I	5 tor each 1 ¹ co port Pirence. ornes II & III i Pirence House	Make up day '82pc. Refer e Base Rate '	rice and for 7pc from	UK Scu central rates Percentage chan ratio between tw for a currency, a Scu central ratio (17/3/32) Sturling	ges are for EA o spreads; that no the meanu	c a positive char percentage citie m permitted per	nge denotes e t rence between pertage devices	melt currency. It the actual cremis or of the currency	Managemoe ah at end Ecu ca ny's market ra
Certs of Ta Ave tender 1995, Agre pendd Dec January 1,	ox dop ur 8 r rate of cha ed rate fox 1, 1995 /ed 1995	100,000 is 2: nt 6.1663pc. od Jan 24, 1: 29, 1995, 5	200. Deposit SCGO Ibad 925 to Feb 2 chemie IV 8	rate Stig. Ex 5, 1996, Sch V 8.552pc. I	tor cash 1 ¹ 40 port Finance. ornee II & III i	ic. Make up day 82pc. Refer e Base Rate	Dec 29. Ince are for 7pc from	Ecu certaid rates Percentage cham ratio between tw for a currency, Ecu certaid rate	set by the Ex- iges are for EX- d spreads; the nd the majernal ; and itsien Lin	opean Commission in a positive ches percentage ciffe in permitted per a suspended from a suspended from the	ion. Corrences nge denotes e s rence between centage devien m ERM. Adjust	are in descending real currency. O the actual merte or of the currence ment calculated (ng relative siz ivergence sh at and Scu ca ny's market re
Certs of Ta Ase tender 1995, Agre period Dec January 1, III THRE	or dop ur E riste of cou ed rate fort 1, 1995 Ac 1995 E MON S	100,000 is 2: nt 6.1663pc. od Jan 24, 1: 29, 1995, 3	200. Deposit SCGO Ibad 925 to Feb 2 chemie IV 8	nate Stig. Ex 5. 1996, Sch V U.SSZPC. I	tor each 1 ¹ co port Finance. omes II & III ? Presnos House 00,000 poin	ic. Make up day 82pc. Refer e Base Rate its of 100%	Dec 29. Price day for 7pc from	Scu central rates Percentage class ratio between tw for a currency, a Scu central rate (1779/92) Starling	set by the Ex- iges are for EX- d spreads; the nd the majernal ; and itsien Lin	opean Commission in a positive ches percentage ciffe in permitted per a suspended from a suspended from the	ion. Corrences nge denotes e s rence between centage devien m ERM. Adjust	are in descending near cumuncy. O the actual craries or of the current ment calculated (a per pound)	ng relative str ivergence sh at and 5cu ca ny's market ra
Certs of Ta Aug tender 1995. Agre period Dec Laruary 1. THRE	ex dop ur & rate of cau ed rate form: 1. 1995 Au 1995 E MOR S Op 93. 93.	100,000 s 2 nt 6.1663pc. od Jan 24, 1 2 29, 1995, 3 TERLING Sett price	one. Deposit ECGD fload 925 to Feb 2 chemic IV & PUTURIES Change	ts withdrawn rate Stig. Ex 5. 1996, Sch V U.SS2pc. I (LEFFE) 25 High	tor each 1 ¹ cs port Pinence ornee II & III ; Pinence House 00,000 poin Low	Make up day Size. Refer Base Rate : its of 100% Est. vol	Dec 29. Ince day for 7pc from	Ecu central rates Percentage claim radio between tw- for a currency, a Ecu central rate (1779/92) Sturling	set by the Ex- iges are for EX- d spreads; the nd the majernal ; and itsien Lin	opean Commiss it a positive char percentage diffe m permitted per a suspended from S OPTIONS 1	ion. Corrences nge denotes e s rence between centage devien m ERM. Adjust	are in descending near cumuncy. O the actual craries or of the current ment calculated (a per pound)	ng relative str Programoe at at and Sou ca by 8 market to by the Pinano
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Certs of Ta Aug tender 1995. Agree period Dec January 1. THRE Mar Jun Sep Dec	ex dop ur E r rate of cha ed rate font 11. 1995 Au 1995 E MON S Op 93. 93. 93.	ntc. 000 a 2 ant 6.1663pc. od Jan 24, 1 c 29, 1995, 3 TERLING Sett price 93.77 93.96 93.88	204. Deposit ECGO fixed 925 to Feb 2 chemies W & FUTURISS Change +0.03 -0.04 +0.05 +0.08	to withdrawn rate Stig. Ex 5. 1995, Sch 1 V 8552pc. I 6 (LEFFE) £5 High 93.79 93.98 94.01 93.90	tor each 114s port Finance. emes N & M = Presence House 00,000 poin Low 93,76 93,95 93,97 93,95	Make up day \$20c. Refere a Base Rate : this of 100% Est. vol. 15959 15855 10358 10965	Open Int. 92708 64504 54309 41073	Scu central rates Percentage char ratio between the for a currency, a Scu central rate (17/9/92) Sturing E PHILADES Strike Price	set by the Ex- ges are for Ech o spreads the od the respirate send infers UR PHILA SEL S/	open Communication of the comm	ion. Corrences nge dunatus e n rence between centage deviano m ERM. Adjust E31,250 (cent	are in dependence currency. It is actual currency to the currency	ng relative str Prengence sh at and Scu ca cy's market to by the Pinence PUTS
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Certs of Ta Aug barden 1995. Age period Dec January 1. III THREE Mar Jun Sep Dec Mar Jun Sep Dec Mar Jun Sep Dec Mar Jun Sep Dec Mar Jun Sep Dec Mar Jun Sep Dec Mar Jun Sep Dec Mar Jun Sep Dec Mar Jun Jun Jun Jun Jun Jun Jun Jun Jun Jun	ex dep ur & rate of che ex rate of che ex rate of the extra first of t	TOO ON 1 2 29. 1995. S TERLING Sett pncs 93.77 93.96 93.88 93.88 93.99 93.88 93.90 93.88 93.90 93.88 93.90 93.88	Sec. Deposit ECOD field Sec. Deposit Sec. Deposit	to withdrawn mate State, Erg. 5, 1996, Sch. 1997, Sch.	tor each 14sp port Firemon. orne is 8 if 3 in Prescue House 00,000 point Low 93,76 93,95 93,97 93,85 93,61 in.	Marie up day Sibor. Refere Base Rate i Est vot 15969 15855 10358 10365 4129	Open Int. 92706 64504 54309 41073 29536	Scu central rates Percentage du ratio between the tor a currency, a Scu central rate (17/9/32) Sturing EE PHILADISI Strike Price 1.520 1.530 1.550 1.550 1.550	seat by the Barges are for Each of a spreader the not the company and losien Lin PHEA SE S/ 1.80 1.17 0.06 0.34 0.10 oil, Calle 6,106	opean Commission & a positive chair control of a positive chair control of the co	Apr 3.55 2.95 2.46 1.99 1.25 2.00 2.00 2.00 2.00 2.00 2.00 2.00 2	are in despending and commerce of the course	relative stative statives and response statistics of the property of the Present statistics of t
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			Sep	95.09	95.10	+0.01	96.	12 9	5.09	12,905	254,841
			E US 17	ZASURY S	all just	PLES (IMM)	\$1m ps	r 100%			
B/	ASE LENDING RAT	ES	Mar	95.14	95.13	+0.01	95.		5.13	70	7.715
%	*	%	Jun Sep	25.44	95.44 95.52	+0.01	95.4 95.1		5.43 -	80 5	5,843 265
Adam & Comp 6.50 Affect Trust Bar 6.50 AIB Bank 6.50 GHosty Anshad 6.50	Duncan Lawrie	Reyal Bk of Scotland 6.50 Singer & Friedlander 6.50 Smith & Wilman Secs. 6.50 TSB		terekt figs. en							
Bank of Barod 6.50	Grobank 6.75	United Bank of Kuweit, 8.75	- RUMO	MARK OPT	JOHN (L.	FEJ DMIM	points o	f 100%			
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Bank of India 6.50	Heritable & Gen Inv Bk. 8.75	Yorkshire Bank 6.50	9575	0.02	0.03		0.15	0.17	0.18	0.11	0.14
Bank of Scotte 6.50	OF THE SOUTHORN, IN INC		9700	0	0		0.05	0.40	0.40	0.28	0.29
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Longer view gives a different story

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By Philip Gawith

Most foreign exchange market participants spend most of their time worrying about movements in spot rates, with average exchange rates at best a curiosity. Not so for companiea, which use average exchange rates for budgeting. pricing and accounting pur-

The accounting practice is for companies to use the average exchange rate over a period when preparing their income statement, while the applicable end of year spot rate is used for preparing the baiance sheet.

As the accompanying table reveals, looking at average exchange rates can provide a different perspective on exchange movements from a focus on spot rates. Much was heard last year about the strong yen and D-Mark but it turns out that the Swiss franc was the strongest currency, which made gains against both of these. Also interesting is

that the French franc, despite the turbulence associated with idential elections early in the year, and widespread pub-lic unrest in the final weeks, was nearly as strong as the D-Mark.

The dollar provides a good example of the volatility that markets can provide. Between the start of January 1995 and January 1996, the dollar fell by 8.3 per cent against the D-Mark, while rising 3.48 per cent against the yen. Over the same period, how-

ever. its average value fell by

13.2 per cent against tha D-Mark, and 8.7 per ceut against the yen. To muddy the waters further, from the start of 1995 to the nadir on April 20, the dollar fell by 25.8 per cent against the yen, before recovering over the next two quarters. For UK citizens, there is not much to cheer about. The US on average, became a slightly cheaper destination to visit but Europe and Japan are becoming an increasingly expensive habit.

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union of the GDR Wa it is necesy toward for the profusion of the Company on 12th December, 1995 redefining the "Exercise Period", the "Exercise Period" stasts extended up to and Including 30th June 1996. Consequently, the last "Deposit Date" will be 27th June 1996 and the corresponding

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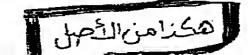
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Footsie regains 3,700 as takeover fever returns

By Steve Thompson, UK Stock Market Editor

If there were lingering doubts about the equity market's reluctance to follow international bonds higher. they were dispelled yesterday as share prices in London and across the rest of Europe surged higher.

Ever increasing hopes that another series of European interest rate cuts could be in the pipeline, plus a "coffee-time" market raid on Forte by Granada, and more big gains in bonds, bunds and gilts, saw momentum in equities pick up speed all day.

At the close, the FT-SE 100 index easily regained the 3,700 mark and

finished at the day's best of 3,710.6 cent the bidder was entitled to where. Composite insurers were for a rise of 47.9 or 1.3 per cent on acquire via market purchase under aggressively bought. Late news of a for a rise of 47.9 or 1.3 per cent on the session.

With much of the day's activity concentrated in the FT-SE 100 stocks, the second liners were left trailing but still managed to record good gains. The FT-SE Mid 250 settled 15.9 ahead at 4,037.5.

Granada's mid-morning raid on Forte, orchestrated by the leisure group's joint brokers, ABN Amro Hoare Govett and BZW, gave a massive boost to the equity market's turnover, which topped 900m shares. At 6pm, turnover reached 901.9, with Forte accounting for 18 per cent.

The raid fell short of the 9.9 per

the rules of the takeover panel. Forte's financial advisers were quick to latch on to news that Granada garnered only 9.2 per cent and that 1.4 per cent had been purchased from marketmakers.

Granada's move pumped more than £300m into the market. This was said to have been responsible for gains in many stocks now viewed as prime takeover targets. Among those promoted as potential targets were Ladbroke, Rank and Thorn, all of which raced higher.

Prospects of further big bids in other sectors also triggered an upsurge in takeover rumours else-

aggressively bought. Late news of a rights issue from Axa, the French insurance group, was seen as almost certain to prodoce a burst of takeover speculation in the sector

this morning. Trading began calmly, with the FT-SE 100 opening modestly higher in the wake of Wall Street's overnight fall, which saw the Dow Jones industrial Average down 17 points at the close. But a strong opening by bunds and gilts and the Granada raid transformed the market, with the FT-SE 100 ploughing through 3,700 and carrying on up for the rest of the session

The Dow opened comfortably

oll majors.

BT squeezed forward 10 to

there may be considerable

its latest sector review. The

broker said that, at the time of

writing the review, the shares

were trading at an 8 per cent

discount to the sector while

SmithKline Beecham and

Zeneca were trading at respec-

tive premiums of 3 per cent

Smithkline, arguing that in

spite of 36 per cent outperform

ance against the FT-SE-A All-Share index for the company,

it forecasts sales growth of 9

per cent a year until the mil-

lennium. SmithKline "A" put

Chiroscience improved 9 to

323p on news that it has gained

regulatory approval for a second phase of trials of a treat-

ment for hormonally sensitive

Burmah Castrol moved for-

ward 12 to 978p, helped by a

recommendation from Yam-

However, Hoare also likes

and 5 per cent.

on 5 at 690p.

breast cancers.

ing pressure which left it down 8 points some time after London had

Dealers said remarks by Mr Hans Tietmeyer, president of the Bundesbank, suggesting there was scope for further cuts in German interest rates, increased the chances of the German central sanctioning a rate cut tomorrow. Any move by Germany would probably be followed by the Bank of France, they said. But expectations of a reduction in UK rates after today's meeting

between the Governor of the Bank of England and the chancellor of the exchequer, were over-optimistic, it was thought.



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3625 3575 3625 3676 3725 3776 3625 367 167 1 137 1 27² 1 42 5 27 22 1 63² 1 113 1 202 5 155² 9 114 16¹ 2 75 27¹ 45¹ 27¹ 25¹ 77 12¹ 213¹ 24² 213¹ 14 171 20¹ 213¹ 2 3 27 45¹ 60 57 47 94¹ 30 127 18¹ 211 53¹ 182¹ 211 171 2 75¹ 2 169 251 53¹ 182¹ 212 113 166¹ 217¹ 75¹ 169 267 63¹ 2 286¹ 113 166¹ 2147¹ 120 19

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Granada raid on **Forte**

Granada Group's bid for Forte was the market's main talking point yesterday after brokers acting for the former launched a mid-morning market raid on

the latter. ARN Amro Hoare Govett and BZW moved into the market to acquire nearly 10 per cent of Forte's stock. The two houses were said to have paid 382p and 384p a share, though by the close they had only managed to secure 9.2 per cent. Volume in Forte soared to 162m shares, an all-time record for a single day's trading in the

Analysts said a late afternoon statement from Mr Ian Lang, secretary of state for trade and industry, saying Granada must satisfy competition concerns before proceeding with the bid was "nothing to worry about". Indeed, Granada welcomed the statement. saving it had already offered to

give such undertakings. Both Granada and Forte continued to make the rounds of city institutions yesterday, with many market watchers suggesting yesterday's raid helped Granada pull well ahead in the bitterly fought contest. However, one cautious analyst warned: "Forte still has ability to surprise."

Granada continued to power ahead and ended the session 23 up at 693p, while Forte jumped 14% to 380%p, a new high.

Composite insurers rallied

TSB Group plc

Lloyds Bank Plc

Lloyds TSB Group plc

hare merged to form

JPMorgan

across the board in response to newspaper comment focusing on the potential for takeovers

within the sector. There was further help from a review by Cazenove. The broker does not comment on market talk, but dealers said it was a buyer of Royal Insurance, up 9 at 393p, and Commercial Union. Knocked previously by a critical note from Kleinwort Benson on environmental liabilities. CU's shares rose 61/2 to 616%n. Cazenove also joined Credit Lyonnais Laing and NatWest Securities in recommending Sun Alliance, 13 higher at 379p.

Guardian Royal Exchange. the sector's takeover favourite which had already climbed 38 per cent in the past year, added an extra 13% at 269%p. After the market closed last night, Axa, the French insurer, said it would raise FFr5.9hn (£770m) in a one-for-seven share issue at FFr250 a share. That is expected to increase speculation about sector take over bids.

Zeneca talk

Zeneca jumped yesterday as long-standing takeover speculation continued to build. Much of Zeneca's strength represented arbitrage money pouring out of Forte following Granada's raid for around 90m shares and looking for a new

bid prospect. In fact, analysts remain cynical about the rumours, saying that at current levels Zeneca would be an expensive prize. One broker said a cash bid of £15 a share, which assumes an acceptable premium to the underlying price, would represent a 40 per cent premium

over the price paid by Glaxo for Wellcome.

Nevertheless, the stories which tend to favour Roche of Switzerland as at least one party involved - refuse to die down. Roche refused to comment on reports that it was planning to raise £12bn in the Rurobond market. A spokesman said: "As long as Roche willingly says it can grow from internal strength on the one hand but is ready to acquire when the price makes sense we will continue to be confronted with rumours." Yesterday Zeneca leapt 43 to 1291p, while Roche underperformed a rising Swiss market.

Leading pharmaceuticals stocks, dull for a while, because of the impact of a weak Wall Street, were back in the spotlight yesterday, Glaxo Wellcome forged

ahead 16% to 902p as ABN Amro Hoare Govett featured

aichi. Also, cash has been movthe stock as its first choice in ing in to second-line oil issues

Later No. of	Jan 18	Jan 15	Jen 12	Jen 11	Jan 10	Yr ago	High	"Low
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P/E ratio net	16.48	16.29	15.26	15.28	18.08	17.89	21.23	15.35
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Shares tracked tritt	-	559.0	728.8	728.7	7154	581.4
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Jun. 16"Data based on Equity shares listed on the London Share Service

JPMorgan

() Cheltenham & Gloucester

Morgan Guaranty Trust Company of New York acted as financial advisor to TSB Group plc.

has been acquired by

Lloyds Bank Plc

Morgan Guaranty Trust Company of New York acted as financial advisor to Cheltenham & Glaucester.

JPMorgan

STELECOM a.s.

has sold a 27% interest in the company to

TelSource N.V.

a limited liability company owned 51% by PTT TELECOM B.V. and 49% by Surisi PTT

Morgan Gunranty Trust Company of New York assisted in ull aspects of the tender and acted as financial advisor to SPT TFLECOM a.s. and the Ministry of Economy of the Carch Republic.

JPMorgan September 1945

VOLVO

AB Volvo hus agreed to exchange its 27.5% holding in Pharmacia AB for a 13.6% holding in Pharmacia & Upjohn, Inc.

Morgan Gunranty Trust Company of New York acted us financial advisor to AB Valva.

JPMorgan

Hoechst Corporation
a wholly owned subsidiary of Hoechst AG

Marion Merrell Dow, Inc.

J.P. Morgan Securities Inc. acted as financial advisor to Hoechst AG.

Jah- 1995

Credito Italiano

Credito Italiano S.p.A. has acquired 78.36% of the shares of Gruppo Bancario Credito Romagnolo S.p.A. through a public tender offer for Lit 3,770 billion Margan Guaranty Trust Company of New York acted as financial advisor to Credito Italiano S.p.A.

JPMorgan April 1995

NUTRICIA

N.V. Verenigde Bedrijven Nutricia

has acquired all the assets of

Milupa

Morgan Guaranty Trans Company of New York acted as financial advisor to Nutricia.

JPMorgan

A leader in European M&A

JPMorgan

These announcements appear as a matter of record only. © 1995 J.P. Morgan & Co. Incorporated. J.P. Morgan Securities Inc. and Morgan Gueranty Trust Company of New York are regulated by the SFA. **FUTURES AND OPTIONS** E FT-SE 100 PUDEX FUTURES (LIFFE) \$25 per full index point Open Sett price Change High

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Peter John.

MARKET REPORTERS:

27 at 1826p.
Talk of equipment problems on the Challenger tank weakened Vickers. The shares gave up 4 to 251p.

unside if BT receives favourahie outcomes from the MMC. National Grid was weak as oversupply of shares continued to depress the stock. Southern Electric is to pass just under 11 per cent of the Grid to institutions next week and Hanson still retains more than 12 per cent, which it is expected to the acquisition.

distribute. The shares lost a half-penny at 195%p. A broker's recommendation helped lift leading food retailers. SBC Warburg upgraded the sector from a "neutral" to

"overweight" recommendation. The broker said the move reflected "a more favourable macro-economic and political background for the food retailing sector in 1996." It added: The first half of this year will feature less margin instability than the second half of

last year." Its favourite in the sector is Argyll, where the shares appreciated 11 to 356%p in trade of 5.2m, followed by Tesco, which gained 121/2 at 315%p on volume of 7.9m. Tradepoint, the electronic orderdriven trading system, was responsible for 15 per cent of the turnover in the stock.

Warburg regards house stock J. Sainsbury as a "good buy for the long term". Shares in the group, boosted recently by recommendations from other brokers, strengthened 8% to

423%p.
Investors that relinquished Forte stock following yesterday's market raid were said to proceeds in leisure related

Ladbroke ended the session as the best performing stock in the Footsie after the shares jumped 81/4 to 1641/4p in trade of

FT-SE-A 350 FT-SE-A 350 Higher Yield FT-SE-A 350 Lower Yield

11m. Rank Organisation also as investors took profits in the benefited from the reinvestment and the shares hardened 377%p. Merrill Lynch said: 10 to 455p. Thorn EMI gained

"Given a considerable level of pessimism is already built into the share price, we believe

There was a squeeze in TI Group which sent the shares climbing 11 to 481p. There was talk in the market suggesting the groop maybe readying itself to make an acquisition, a move that could see the group making a rights issue to fund

Elsewhere in the sector, Lucas Industries hardened 5% to 183%p in active trade that brought volume of 8m. Sentiment was belped by a Merrill Lynch recommendation. The company has also been seeing

institutions. Smiths Industries rose 13 to 642p, after talk of a large order for Boeing for civilian aircraft. Smiths is a big contractor on

the Boeing aircraft. LONDON RECENT ISSUES: EQUITIES beus Amt Mc. price paid cap Net Div. Gra P/E div. cov. yld net p up (Dm.) High Low Stock 115 -1 113 55 72 - F.P. 23.0 125 115 Century Inns - F.P. 555 114 105 Cerc Insurance 125 115 Cantury Irus
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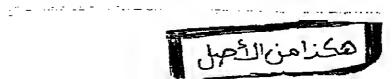
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further reverse for Nasdag

Wall Street

US shares were mixed by early afternoon after a volatile morning that had seen prices rise strongly at the opening before falling back later in the session, writes Lisa Bransten in New York

Technology shares were especially volatile: the Nasdaq composite, which is weighted toward that sector, jumped more than 7 points in early trading to reverse some of the battering it had taken so far this year. By 1 pm the index was off 7.54 at 981.03 The Dow Jones Industrial

Nasdag Composite 1.100

Average rose 25 points at the start of trading, before retracing all of its gain in the early afternoon. At 1 pm the Dow was 9.39 lower at 5,034.39. The more broadly based Standard & Poor's 500 added 0.59 at 600.41, while the American Stock Exchange composite fell 2.14 to 530.56. Volume on the NYSE came to 231m shares.

Investors were anxiously awaiting an earnings report from Intel, the second largest

closed. Shares in the semiconductor group initially added \$1%, but by early afternoon were off \$1/2 at \$53.

Lam Research was volatile after the maker of semiconductor production equipment of \$1.12 a share, 7 cents a share ahead of the mean analyst estimate. The shares initially climbed \$3%, then fell into negative territory before stabilis-ing with a gain of \$% at \$34. The Dow did get some support from a bounce in IBM: by early afternoon the shares

were up \$1% at \$84%.

tions, fell \$1% to \$64%.

mostly stronger after a wave of stronger-than-expected fourth quarter earnings reports. Citi-corp advanced \$2% to \$66, Chase Manhattan Bank added \$2% at \$59%, Chemical rose \$2% to \$57% and Wells Fargo NationsBank, which reported fourth quarter profits of \$1.85 a cents below expecta-

Commercial banks were

Toronto traded higher at midday, belped by the stronger gold price and expectations of a strong cash inflow from Canadian pension plan contributions seeking a tax haven in coming weeks. The TSE 300 composite index was 10.61 up by noon at 4,750.31.

Mark Resources picked up C\$% to C\$7% in heavy trade after Energius Energy Services announced a rival proposal to Penbina's hostile C\$7 a share offer. Enerplus, which manages about C\$500m of oil and gas assets for funds for public and private investors, proposed reorganising Mark into a roy-

Telmex off in Mexico

Mexico City slipped in early trade as the market braced itself for an increase in domestic interest rates. These were forecast to rise between 100 and 200 basis points at the central bank's weekly primary auction later in the session Investors were also worried by a fall in Telmex.

By midsession the IPC index was off 25.41 at 2,882.83 in moderate volume of 10.5m shares. Telmex L shares were down about 6 per cent in the previous two sessions on worries that the telecommunications group would be unable to generate strong profits growth when it was exposed to compe-

tition from next year. Lehman Brothers said it had \$3.65, but added that it continued to rate the company as an "outperformer" BUENOS AIRES was cau-

tiously higher as brokers said they were concerned by growing problems about the domestic economic environment. The Merval index was up 2.21 at 541.83 at noon.

SAO PAULO was mildly weaker by midsession, the Bovespa index having slipped 415.90 to 48,538. SANTIAGO The IGPA index gained 7.22 points at 5.771.75.

Electricals recovered from a decline on Monday as investors moved back into the sector. Enersis was up 1 per cent to 226 pesos and Endesa made up all the ground it had lost durcut Telmex's 1996 earnings ing the previous session, rally-estimate to \$3.30 per ADR from ing 2.5 per cent to 289 pesos.

S African industrials at peak

Johannesburg gold shares picked up after Monday's pull-back, but they were less convincing than industrials which posted straight-line rises to register a record high for the third consecutive day.

Analysts said that industrials looked likely to continue higher later in the week as an absence of stock was belping to push prices ahead. However, gold shares, having yet to find encouragement in the mediocre quarterly gold mine results so far, were seen track-

NATIONAL AND REGIONAL MARKETS

France (99) .

Soam (37).

USA (633) ...

Hong Kong (59) Ireland (16).....

FT/S&P ACTUARIES WORLD INDICES

....71.90

229.56

ing the bullion price for the rest of the week. The all-share index was up

84.0 at a record 6,794.4, industrials surged 109.6 to a new peak of 8,588.6 and golds rose 49.4 to 1.609.7. De Beers appreciated R1.75 to R121.75, while the indus-

trial mainstay, South African Breweries, hit a fresb high of R141.50 for a gain of R4. Auglo American closed R5 op at R255, while Freegold, the country's biggest gold producer, rose R2.60 to R37.10.

232.15 301.21 172.64 165.86 139.41 181.73 171.38 218.58

-1.0 -1.6 0.4 0.1

-0.4 23.4.15 148.46 167.90 187.62 -0.4 2.31 24.11 214.74 148.95 167.86 186.32 231.15 175.22 175.12 -0.5 192.83 133.58 161.07 171.06 -0.2 3.07 201.83 133.99 134.06 151.17 :71.48 204.32 167.26 188.34 -1.2 262.85 192.22 208.09 232.22 -1.0 1.90 277.29 265.69 184.15 207.69 234.65 295.02 222.22 277.89 0.0 158.27 109.72 124.09 130.06 0.1 1.17 165.00 158.10 109.80 123.58 112.93 171.87 145.93 189.55 -0.2 172.51 119.59 135.25 135.12 -0.1 2.08 180.24 172.70 119.72 135.00 135.19 183.39 154.73 163.12 -0.4 228.24 179.18 237.62 -0.4 2.32 233.18 229.15 158.67 179.15 238.53 246.93 186.14 186.71 -0.7 174.22 120.78 136.95 144.64 -0.4 2.42 182.87 175.22 121.53 137.04 145.25 184.61 149.99 150.71 0.5 268.92 185.04 209.28 245.74 0.8 3.00 276.88 265.30 183.19 123.29 184.71 155.42 163.86 -0.2 173.93 120.35 148.55 164.63 -0.2 1.98 198.17 189.88 131.63 148.43 165.01 202.03 163.46 169.49 -0.3 217.66 150.89 170.85 212.57 -0.3 284 227.72 218.19 151.25 170.56 213.12 232.30 181.50 182.99

Dow volatile, Rising dollar, rate cut hopes lift senior bourses

The combination of a rising dollar and rate cut hopes was good for senior bourses. FRANKFURT set yet another all-time high, the Dax index closing the post-bourse 18.05 ahead at an Ibis-indicated 2,379.43, with its core cyclicals well to the fore.

Turnover climbed from DM9.9bn to DM11.4bn. There were gains of more than a percentage point from tha big three chemicals, BMW and MAN in antomotive stocks, and Mannesmann in engineer ing. Volkswagen and the fork lift specialist Linde rose in excess of 2 per cent.

DB Research lifted its earn-

slightly for Lufthansa for 1995, 1996 and 1997, and the shares rose DM8 or 3.8 per cent to DM26.90. Mr Jürgen Pieper at DB Research said that the likeapproval for Lufthansa's alliance with Scandinavian Airlines System (SAS) made Lufthansa shares a short term trading buy, but DB Research's recommendation remained ed at neutral.

PARIS looked for a cut in domestic interest rates tomorrow, and the CAC-40 index advanced by 27.70 or 1.4 per cent to 1,952.10, its highest close since last August. Turnover was above the recent FT-SE Actuaries Share Indices THE EUROPEAN SERIES Opes 10.30 11.00 12.00 13.00 T4.00 15.00 Close Hourly changes FT-SE Euroteack 100 1516.01 1518.13 1618.02 1516.36 1520.17 1621.34 1521.73 1522.85 FT-SE Euroteack 200 1612.00 1512.73 1613.66 1614.28 1614.28 1614.08 1615.54 1617.53 Store 1000 (28/1090: Minister 100 - 1923/20: 200 - 1688/22 (contine: 100 - 1586/21 200 - 1611/22 + Paris).

new record closing high.

made F1 2.40 to F1 230.30.

up 20.9 to 3,254.8.

approach with Merck

that a deal was in the air,

daily average at FFr5.2bn. mixed fortunes in the financial sector, BNP rose FFr10.30 to FFr212.70 and CCF advanced FFr6.80 to FFr244.80. Bnt Credit Foncier de France. which is not a CAC constituent, slipped FFr4.80 to FFr59.30, continuing a recent downtrend on worries about its ability to repay loans.

Among other second-line issues Moulinex rose FFr6.30 to FFr81 following a slight increase in sales for the nine months to December 1995. Remy Cointreau slipped 90 centimes to FFr150.10, recovering from a eession low of FFr145.20, as it said that it anned to cut its debt burden over the next few months. from FFr8.6bn to FFr6.5bn. Some analysts, bowever, were worried by weakness in its cognac divisi

AMSTERDAM saw dollar-associated strength in heavily

and agro divisions would not fit with Roche or Merck's operations, while, even for a company such as Roche, raising the \$22bn cost of Zeneca would be much more of a problem than finding the \$5.6bu paid in 1994 for the US pharmaceuticals group, Syntex.

Elsewhere among the pharmaceuticals, Sandoz rose SFr15 to SF1999, ahead of full year sales figures, tomorrow while among the banks, further specas Royal Dutch. The AEX index put on 2.79 to 504.56, a ulative buying pushed UBS up Royal Dutch put on Fl 1.80 at Fl 221.20 while Philips also MILAN turned from politics to a firmer domestic bond marcame in strongly, adding Fl 1.20 to Fl 63.50, and Unilever ket and lira. The Comit index

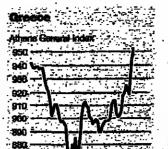
noted that Zeneca's speciality

picked up 1.70 to 580.94 while the real-time Mibtel index News that DSM was to expand its Brazilian operations helped the stock rise Fl 2.40 to jumped 147 or 1.6 per cent to Ollvetti, however, was a Fl 137, in spite of a UK broker'a major casualty, dropping L74 or 6.5 per cent to L1,140 on reports that a number of ZURICH overcame early weakness, encouraged by the dollar, Wall Street and rate domestic and foreign brokers, who had visited the company hopes. The SMI index picked

Roche certificates, sharply ing their 1996 earnings forelower on Monday, rose SFr10 to casts sharply. SFr8,940, as the company Montedison picked up L17.2 to L991 as speculation about a declined to comment on a new round of speculation in London rights issue faded: analysts said that a cash call by the group was unlikely with the that it might bid for Zeneca of the UK, possibly in a combined chare price below its nominal One analyst, who doubted

value of L1 000 MADRID's revival was led

in recent days, were downgrad



by two of its privatisation stocks, Repsol and Telefonica, up Pta60, or 1.5 per cent to Pta4,035 and by Pta25, or 1.4 per cent to Ptal.795 as the general index rose 1.47 to 327.46. STOCKHOLM reflected the dollar with a rise of SKr4, or. 3.1 per cent to SKr134.50 Volvo B, and overnight gains by drug companies in New York with Astra A rallying by SKr7.50, again 3.1 per cent, to SKr253. The Affärsvärldan General index rose 7.8 to

18th Oct - 1995

Source: FT Extel

ISTANBUL recovered Monday's 2 per cent fall despite the lack of clarification on the political front. The composite index rose 1.764.33 to 47.001 as

from Monday's TL11,070bn. ATHENS welcomed the resignation of the prime minister. Mr Andreas Papandreou, after two months of political uncertainty. Equities jumped by

more than 2 per cent in early trading in reaction to the decision, which was announced overnight. The general index ended up 16.09 to 95L99 in heavy turnover of DKr14.04bn. Analysis commented that Mr Papandreou's decision to stand down had already been discounted by most investors, but that it finally cleared the way for a smooth transition in the ruling Panhellenic Socialist Movement. There was general agreement that either of the leading contenders for the vacant post, the defence minister Mr Gerassimos Arsenis, or the former industry minister, Mr Costas Simitis, would be

welcomed by the markets. VIENNA also recovered the losses made on Monday as investors were encouraged by strength in neighbouring mar kets. The ATX index ended up 9.04 or 1 per cent at 1,033.09. Maculan, the construction group, added Schill or 4.8 per

cent to Sch245.

Written and edited by William

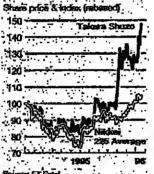
Soros accolade caps good day for Nikkei, up 1.4%

Tokyo

Tokyo was treated to a lastminute accolade from tha financier Mr George Soros, writes Our Markets Staff. Just before the end of trading, Mr Soros said that Japanese equities offered the best opportunity for world investors, helpabove the 20,500 level.

A stronger dollar against the yen, along with index-linked and arbitrage-related buying, had given the 225 index a good session, It closed 279.65 or 1.4

Takara Shuzo



Source: FT Extel per cent higher at the day's best of 20,567.07, up from a low of 20,303.47. Volume was moderate, down

from 596m shares to 418m.

Asia San

Winners outnumbered losers by 670 to 402, with 148 issues unchanged. The Topix index of all first section stocks advanced 10.87 or 0.7 per cent to 1,603.08 and the Nikkei 300 by 2.66 or 0.9 per cent to 300.73. In London the ISE/Nikkei 50 index eased 0.91 to 1.410.95. Blue chips were mixed after weakness in Wall Street's hightech stocks. Toshiba, the second most active, recovered to Y825, up Y2, after a low of Y814. Sony rose Y100 to Y6,550,

but Fujitsu lost Y10 at Y1.150. Carmakers were firm, helped by a report that sector profits would rise if the dollar remained above Y105. Toyota put on Y40 at Y2,250. Speculative spirits rose again, almost literally. The

Gross Div. Yield

section was Takara Shuzo, the liquor stock, which rose Y40 to a 1995/96 high of Y1,170, encouraged by talk about its gene treatment research. However, Takara said it did not have any fresh research news.

Roundup

Reports that the government might soon issue measures to boost the market belped SEOUL finish slightly higher. The composite index firmed 2.81 to 868.27, but losers still led gainers by 449 to 279.

Small-capitalisation electrical and electronic shares, as well as selected companies with forecasts of improved corporate earnings, were purchased. Haitai Electronics added Won600 at Won16,300 and Hankook Metal went limit up to Won8.690.

Elsewhere, Dongbu Steel put on Won500 at Won19,500 on expectations of a substantial increase in its 1995 net profits. TAIPEI fell back as many investors chose to move to the sidelines and the weighted Turnover was T\$26bn.

Brokers attributed the thin turnover partly to the attractions of the smaller over-thecounter market where daily turnover hit a record high of T\$289m on Monday. One broker said that "the

OTC market offers investors another option at a time when they are uncertain about the stock market outlook". HONG KONG reversed early losses, the Hang Seng index

closing 36.65 higher at 10,671.15 after a seseioo's low of 10,559.47. Turnover increased from HK\$5.5bn to HK\$6.6bn. some dealers attributing the late rally to purchases by foreign institutions. The H share index of locally listed Chinese groups gained

after Monday's 3 per cent rally as rumours persisted that China was about to relax austerity measures.

Wharf climbed 35 cents to HK\$29.55 as it confirmed that it had sold its Omni Hotels chain

| 1 | 192,43 | 184,38 | 127,81 | 144,13 | 171,49 | 196,40 | 157,95 | 163,31 | 165,14 | 177,40 | 122,97 | 138,57 | 138,50 | 199,26 | 167,48 | 179,14 | 126,69 | 146,31 | 101,42 | 114,35 | 273,38 | 160,23 | 86,06 | 153,06 | 153,06 | 153,06 | 153,06 | 153,06 | 153,06 | 153,06 | 153,06 | 153,06 | 153,06 | 153,06 | 153,06 | 153,06 | 153,06 | 153,06 | 153,06 | 153,06 | 153,06 | 153,06 | 153,06 | 153,06 | 153,06 | 153,06 | 153,06 | 153,06 | 153,06 | 153,06 | 153,06 | 153,06 | 153,06 | 153,06 | 153,06 | 153,06 | 153,06 | 153,06 | 153,06 | 163,73 | 174,13 | 120,71 | 136,12 | 166,38 | 276,11 | 171,13 | 191,45 | 161,73 | 174,42 | 120,91 | 136,34 | 140,93 | 191,17 | 157,79 | 126,51 | 168,49 | 162,40 | 112,58 | 128,95 | 126,55 | 169,49 | 139,77 | 126,51 | 126,55 | 169,49 | 139,77 | 126,51 | 126,55 | 169,49 | 139,77 | 126,51 | 126,55 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56 | 126,56

most active issue in the first in tha US to a private investor in Texas, China Light moved up 50 cents to HK\$38.10 and Hongkong Electric 35 cents to HK\$26.45 on rumours that both were about to issue covered

> Vitasoy went against the trend, losing 17.5 cents to HK\$2.95, against an intra-day low of HK\$2.75, as trading was med following its suspension on January 10. This followed recalls of its soft drinks owing to suspected bacterial

> JAKARTA was easier as most foreign investors decided it was time to book profits. The composite index slipped 5:47 to 553.43. Turnover amounted to Rp263.5bn.

Telkom relinquished Rp25 at Rp3,225 and Indosat declined Rp150 to finish at Rp8,925. The plywood sector was affected by worries about a ito lost Rp125 to Rp2,000 and its affiliate Sumalindo shed Rp100

BANGKOK saw profits taken in the finance sector as the SET index slipped 5.18 to 1,371.64 in average turnover of Bt9.6bn. Some analysts remarked that investors were now becoming concerned about the forthcoming fourthquarter results season, although others felt that expectations of disappointing figures

SINGAPORE consolidated after its recant gains. The Straits Times Industrial index receded 15.76 to 2,397.88 and

had already been factored into

11. 11. 11. 11. 11. 11.

after trading in a tight range. Brokers noted that the muchturnover came to \$\$610.6m One of the biggest falls was seen in Cerebos Pacific, the hyped carry forward system food group, which lost 60 cents and volumes, and said that to S\$11.00, while the main gainer was Times Publishing which rose 22 cents to \$\$3.68

"strong buy" recommendation.

MANILA paused after the steep climb of the previous three days, but the composite index-managed a rebound from a 40-point drop at midsession to close 2.11 off at 2,776.75. Brokers maintained that the buying wave which had pushed the index up by more than 100 points in the previous three days was not yet over. expected renewed demand after the composite

index topped the 2,800 level.

BOMBAY finished lower

they were unlikely to pick up ahead of parliamentary elections expected in April. The BSE-30 index lost 7.03 points at 3.015.48. KUALA LUMPUR was led lower by selling in second board stocks after their

sharply higher performance in recent weeks. The composite index ended

2.89 weaker at 1,069.66 but the second board index lost 13.89 or 3.7 per cent at 366.83. News that Malaysia's 1995 inflation rose 3.4 per cent yearon-year, against 3.7 per cent in 1994, came too late to have any impact on the market.

A STATE OF THE STATE OF THE STATE OF Gommerzbank's focus on German and European economic issues 1/96 The first of the state of the s

Germany:

Swings in business sentiment and the tenor of public debate usually exaggerate any changes in the actual economic situation. At the end of 1994, for example, optimism was running high, contributing to the sharp rise in long-term interest rates. The opposite holds true now: the mood is very bearish, as is reflected in the bond markets. Although the outlook for industrial countries is indeed not very encouraging, growth in 1996 will be around 2.5% and should improve in the course of the

Antwerp, Atlanta, Bangko Budapest, Buenos Aires, Caire Caracas, Chicago, Contaha burg, Kiev, Landon, Lan Manama, Mexico City, Milan, Minsk, Mascow, New York, Novembersk, Osaka, Paris, Prague, Rio de Jameiro. São Pania, Seord, Shanghar, Singapore, St. Petersburg. Sydney, Tehran, Tokyo,

slow growth to continue in 1996

economic growth have been scaled dowo significantly in recent months. And although psychology may have played a role here - when calculating their first estimates for 1996, forecasters realized they had been much too cautious for 1994 and did not want to repeat their mistake - there are two sound reasons for the downward adjustment. The first is that the D-mark unexpectedly apprecisted further last spring. After an encouraging downward correction during the summer, it stabil-

PREDICTIONS FOR Germany's

ized at a high level, preseging a further loss of market shares in world trade. The consensus forecast for growth in 1996 was accordingly reduced to 2.5%

A SECOND ROUND of revisions occurred last autumn when it became clear that massive structural adjustments were in store for the construction sector. These pushed the expected

growth rate down to 2%.

pessimism seems exaggerated as was the level of optimism a year ago. Modest inflatioo io many countries will mean that short-term rates can remain low or even drop further. Corporate profits are up substantially from their levels during the 1992/93 recession, and long-term rates have almost reached the lows they hit in early 1994. Thus, giveo the rapid expansioo of world trade, a recession in in-

Economic outlank for Germany at constant prices; percentage change on year

	19951)	1996
Private consumption	1.4	2.0
Government consumption	1.7	1.5
Machinery and equipment	2.8	3.5
Construction	1.6	0.5
Domestic demand	21	2.0
Exports	3.1	4.0
Imports	2.9	3.0
Gross Domestic Product	2.2	2.0
Consumer prices	1.9	2.0

But the figures for annual aver-

age growth fail to show that

between mid-1995 and the

spring of 1996 Germany's real GDF will expand hardly at all. In addition to the factors already mentioned, two other aspects are relevant here. One is the 1995 wage agreements, which boosted hourly rates in the western German goods-producing sector by 4.5%, compared with a rise of only 2% in 1994. This caused many firms to review their investment plans; chove all, though, it has prompted them to consider shifting productioo abroad. Much suggests that this year's wage negotiations will result in lower increases. The second aspect is the virtually identical downward revision of growth forecasts in other West-, em European countries, due in part to concerted fiscal consolidation in an effort to meet the Maastricht criteria by 1997.

dustrial countries can be practically ruled out this year. This recovery, like most in the past, is . not following the textbook model of steadily rising growth rates. In Germany, even in the third year of the opswing, domestic demand will fail to take over from exports as the driving

ALTHOUGH the expected growth rate is disappointing, as it will bring about hardly any improvement in employment, it will nonetheless prevent talk of narrowing "output gaps" and of the need for a "pre-emptive strike" by the Bundesbank from emerging too soon.

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